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16 September 1985

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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16 September 1985

EAST EUROPE REPORT  
ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

POSSIBILITIES OF EEC-CEMA COOPERATION VIEWED

Prague SVET HOSPODARSTVI in Czech No 85, 1985 p 1

[Text] In the middle of the past month, specifically 14 June, a representative of the country that chaired the Executive Council of CEMA at that time - the Polish Ambassador in Brussels S. Matosek - handed the Chairman of the Commission of European Communities J. Delors a letter from the Executive Council of CEMA, in which CEMA proposed to EEC to begin negotiations aimed at the establishment of official relations between the two communities.

In reality, all European countries are members of, or are otherwise closely linked to, one of the three principal integrative bodies: CEMA, EEC or the European Free Trade Community.

Since its beginnings, the European Economic Community had undergone an evolution that must be taken into consideration. It is an organism with some supra-national powers striving to achieve a political union or confederation. The gradual evolution indicates that it is a long term goal. In the economic sphere the results of integration are evident already. No significant disintegrative processes are anticipated. The prospect rather is that the original Six - West Germany, France, the Benelux Countries and Italy, and to some extent Great Britain, will proceed with integration faster than the areas on the periphery - Ireland, Greece, Denmark, and beginning with the next year Spain and Portugal. The so called Luxemburg compromise, operational since the mid-sixties, has deprived to a large extent EEC of its supra-national character. Its principle prohibits decisions by majority vote on basic issues of integration. We know, for example, that of recently, the invoking of the principle by West Germany involving the issue of price setting on agricultural products provoked great bitterness. It can be said, that as for the approach to decision making, EEC has come closer to the approach used in CEMA, that of unanimity. The trend is clearly toward the primacy of the interest of the [member] countries. This course results from the fact that some of the integration programs are either of no interest to some member states, or unacceptable. For long years EEC resisted integration even though there were those who at regular intervals predicted such a development. Today, it seems, however, that from the political point of view, this is the more desirable course because some positions taken by Greece or Denmark and their neutral Ireland are uncomfortable factors. We know, for example, that toward the end of 1981, Greece and Denmark refused to join economic sanctions of EEC against East Germany and the Soviet Union.

On the other hand, it cannot be overlooked that in spite of all internal difficulties that are often overcome with only the greatest of effort, EEC is able to act with unity on a number of issues concerning third countries. Political economy is a classic example of this. During its existence, EEC concluded dozens of active trade-political agreements with third countries or other integrated communities or international organizations.

An important consequence of integration is a common agricultural policy by the use of which EEC forces out from its markets not only the products of the socialist countries, but also those of the U.S. and Australia, for example.

There are, however, other areas of integration by EEC the nature of which do not engender disagreement and conflict of interest.

We know well, for example, that EEC devotes considerable effort to questions of economic analysis, including synthetic [?] conclusions of further potential development. It works toward coordination of monetary policies in order to strengthen the autonomy of the integrated whole vis-a-vis the efforts of the dollar that are harmful to the long term interest of this region.

The activity of integrative organs in the area of the analysis of the condition of specific industrial and agricultural sectors is not without interest. Practically speaking, this activity covers all areas that, from the marketing perspective, are of interest to the socialist countries - machine production, chemicals, foods, data management, telecommunications, textiles, leather industry, lumber and paper, steel and others. Also worth noting are efforts toward standardization of safety norms, standardization of terminology, patent registration.

Integrative activity is also very strong in the area of assistance to developing countries, including realization of developmental programs for which EEC often looks for co-suppliers from third countries.

Integrative efforts are significant even in the protection of the environment. Already, EEC has concluded bilateral agreements in this area, as for example with Sweden and Switzerland.

More recently an extraordinary attention has been paid to integrative efforts in the area of research and development. We know that EEC is trying to catch up with the U.S.A. and Japan in the field of electronics, data management, information and other areas of the second phase of the R&D revolution. The French inspired program "Eurika", for example, has as its goal to combat the steadily increasing dependence of EEC on the U.S.A. There exists, however, in the R&D field such programs where third countries are brought in - for example the program COST, in which we and the SFRY participate.

Cooperation is also advanced in the energy field; in the nuclear energy field there exists an entire separate, legally independent community called the EURATOM.

In which direction will the relationship between EEC and CEMA evolve will depend to a large extent on the political stance of EEC. After 1980, when EEC, because of its uncompromising position, led the negotiations between the two communities into a dead end street, it is again CEMA that is coming up with an initiative and a very forthcoming attitude toward EEC.

Ultraconservative views have had so far the upper hand in EEC. Their views can be summarized as follows: if EEC strengthens its collaboration with CEMA, it will thereby strengthen the influence of USSR on other member countries of CEMA. This is unacceptable in the eyes of these groups. The real reason for this stance is the realization that a unified front would spell the end of a differentiated access to individual CEMA countries, a long standing practice of the ES Commission. A realistic assessment of questions pertaining to the formation of cooperative relations between two integrative bodies shows, however, that the establishment of such relationships can influence only marginally internal processes of integration in both communities.

It is more important for EEC finally to acknowledge that we live on the same continent that has common historic and cultural traditions. Already long time ago, EEC had arranged effectively its relations with the European Free Trade Community - including Sweden, Norway, Iceland, Austria, Switzerland, and for the time being still Portugal and the associated Finland - and it continues striving to expand its cooperation over more and more areas. The final reaction of the EEC representatives to the newly advanced proposal of CEMA will be the true test of real interest to promote cooperation in Europe, the impact of which on the strengthening of peace and lowering of tensions is clear.

12876

CSO: 2400/541



INTERNATIONAL AFFAIRS

THROUGH INTEGRATION TO MORE RATIONAL USE OF FUEL RESOURCES

Prague SVET HOSPODARSTVI in Czech No 83, 1985 p 3

[Text] The recently held 15th session of the Council of Economic Mutual Aid approved a program of cooperation among member countries for an economical and rational use of material resources up to the year 2000. The program will strongly supplement the efforts of each country by means of wide-ranging collective measures designed to effect a broad application of economical manufacturing procedures, machinery and new types of materials. The deputy chairman of the USSR Council of Ministers, chairman of the USSR State Commission for Industrial Distribution, and chairman of the CEMA Committee for Cooperation in Industrial Distribution Systems, N. V. Martynov, stated in a discussion with reporters of the Novosti News Agency:

The program has been worked out in concordance with the resolution of the economic conference of CEMA member countries at the highest level. It expresses the high degree of attention given by the countries of the socialist community to the politics of frugality.

The dynamically growing economies of the fraternal countries require ever larger amounts of raw materials, fuels, and energy. But these resources are harder to find year by year, because their production and processing require great additional expenditures.

One of the solutions to this problem is by means of overall savings, which has many advantages. Thus measures leading to a lower consumption of fuels and energy by 1 percent, for instance, are half or two-thirds cheaper than producing and processing an equivalent amount of fuel and energy. Still greater effectiveness can be achieved by utilizing industrial waste and household waste. Producing metal from scrap costs only a 25th of the expenditures needed to produce an equal amount of metal from natural raw materials.

Economical and rational use of material resources was designated by communist and workers' parties in the socialist societies as one of the main approaches to solving fuel, energy and raw material problems, and as one of the important factors in placing the economy on the path of intensive growth. During the last few years, thanks to the fulfillment of individual national programs of savings and international cooperation, the activity in this sector has increased.

Many CEMA countries have noted a decrease in the high requirements of manufacturing for materials and a decrease in the marginal investment costs for energy, fuels, raw materials, metals and other kinds of materials; the utilization of secondary resources and scrap material is increasing in scope, which has a beneficial influence on the economies of socialist countries. Common experience and world-wide practice prove, however, that it is possible to achieve far better results in the economical use of all resources.

The above program of cooperation, approved by the highest authority of CEMA, is designed to facilitate a faster resolution of this topical task by means of a unified effort by CEMA member countries. The program contains a broad, comprehensive list of technological, economic and organizational measures. A great many of them are designed to promote development and widest possible use of new and more economical types of machinery, equipment, instruments and production materials, as well as more economical production methods, processes and operations.

New technology and new materials and substances contribute significantly to a better utilization of raw materials, fuel, energy and other material resources. Technical redesigning of thermal power plants, as it is provided for in the approved program, and equipping these power plants with new power equipment, will make it possible to lower the consumption of fuel in the production of thermal and electrical energy by 30 percent on the average. Impressive savings can be achieved by applying the latest results of research and development in those manufacturing branches and sectors which are heavy users of energy, in transportation and branches of the mining industry.

To obtain better yield from metals and other kinds of production materials and substances, the program sets measures for introducing progressive technological procedures for their production and utilization. We expect, for example, a wide application of the method of continuous steel casting, methods of combined rolling, production processes of powder metallurgy and all kinds of protective anti-corrosion coatings.

Tasks are also set for reducing losses of raw materials, fuels and other substances during transportation and transfers, as well as tasks for substituting materials in short supply by cheaper and more readily available substances. We have in mind, for example, using compressed and liquified gas for fuelling engines.

We can expect great savings of tin, zinc, and other nonferrous metals in short supply by using various coatings of a non-metallic base. The consumption of polymers is to be cut by almost a third. Savings of valuable kinds of hydro-carbons are to be achieved by developing power equipment using solid fuels of low specific thermal output.

Besides solving the technical problems, the programs expects planning and realization of measures of normative-organizational character, which usually do not require large expenditures. This would include introduction of the

most progressive norms for consumption of raw materials and energy, devising a more thorough system of incentives for greater economy, and a wider interchange of experiences in rational use of resources among socialist countries.

As far as question of effective use of secondary resources and scrap raw material are concerned, they are given great attention in the program. Making use of these resources is to be substantially intensified. The use of secondary kinds of energy in the whole socialist community has to reach to such an extent by the year 1990 that in that year about 40 million tons of relative heat value will be saved.

Better use will be made of waste produced in metallurgy, in chemical, wood-working, consumer and food industries, and in many other industry sectors. The program also requires maximum utilization of waste material in the national economy, which has been done so far only to an insignificant degree because specialized processing methods and necessary equipment for it did not exist. All this will represent a solid addition to the material resources of CEMA countries and will make it possible to protect life environment more effectively.

The program up to the year 2000 covers practically all the most important areas and sectors. It is quite possible that during its implementation further questions concerning the economical use of material resources will arise, which will then have to be resolved without delay by the combined efforts of the CEMA countries. In this respect, the program is an open document in the sense that each participating country and all the agencies of CEMA can submit their suggestions for supplementing the program. Putting these suggestions on a communal basis and controlling the implementation of the program will be undertaken by the CEMA Committee for Cooperation in the Industrial Distribution System.

It is obvious that the above examples do not even fully emphasize the importance of agreements and arrangements reached concerning questions of a better use of resources. After all, at stake are questions of an overall intensification of material production output, of increased effectiveness of the economies of socialist countries, and of solving the most important tasks of socialist development on this basis.

12605

CSO: 2400/535

BULGARIA

ECONOMIC USE OF ENERGY RESOURCES URGED

Sofia RABOTNICHESKO DELO in Bulgarian 20 Jul 85 p 2

[Article by Angel Bonev: "Thriftiness For All Seasons"]

[Text] During these summer months we have forgotten about the wintertime difficulties with electrical power. It would be a profound mistake, however, to take the point of view of those economic leaders and specialists who feel that we now have more than enough fuel and electricity. Nothing of the sort is true. Our energy resources are limited and we cannot allow any excessive spending here. On the contrary, precisely now is the time to save every spare ton of fuel oil and coal we have left, so that we can have an opportunity for normal operations at many of the thermoelectric power plants during the winter.

The key task of our economy remains the thrifty utilization of electric power. It remains the primary and unshakable concern, every day and every hour, of the economic leadership and the party organizations. No one has the right to reckon that if an enterprise is late in fulfilling the plan, that it will be furnished with additional fuel and power at the end of the year.

This order is apparently not fully understood by everyone everywhere. Alarms are sounded by the facts about violations of the capacity limits in terms of the time when the national energy supply system experiences its heaviest loads. During May, June and the first half of July, such violations were permitted by the Vuzkhod machine building enterprise in Popovo, the steel foundry plant in the city of Rakovski, the St Kiredzhiev Cellulose and Paper Combine in the city of Stanboliyski, the economic chemical combine in Stara Zagora, the D. Blagoev enterprise in Kazanluk.

Cheks point out that less energy is expended in developing production now than during last year, but its quantity in some branches is still greater than planned. Cost overruns cannot be compensated for by savings achieved elsewhere. The fact is that there are high requirements in regard to energy demand in some places, and liberalism is manifested at other places. This should not be permitted, the approach used with everyone should be equally stern, if production is permitted to use up more power than was planned for.

What is needed now, at this very moment?



It is immediately necessary to remove all barriers which would hinder the attainment of optimal results in the thrifty use of energy resources. Missing technical means for accounting and control of costs for basic aggregates and technological processes must be furnished. An overview of cost norms must be carried out, for these are seriously lagging behind the requirements for high energy efficiency. Reserves exist, and these must be included in the counterplans. In no case should any deviations be permitted in comparison with the past years of the 5-year plan.

Scientific workers and specialists could provide much needed help in this regard. The task of the advanced links is to take up the cause of quickly developing a contemporary normative base. Cannot we create, and even more importantly produce, precise instruments for accounting, which correspond to examples used throughout the world? It is no secret that energy "oozes out" where the control system is weak, and when violators are not punished with stern economic and administrative sanctions. This harmful practice must be halted immediately.

Summer will pass, the cool days of autumn and the cold wintertime are coming. Now as good managers we must take measures for the most efficient use of each kilowatt hour. Everyone must save electric power at his home and workplace, this is our national resource.

12334

CSO: 2200/183

BULGARIA

DAILY EXPOSES WASTE OF RESOURCES, THEFTS FROM FARMS, ENTERPRISES

Socialist Property Management in Burgas

Sofia RABOTNICHESKO DELO in Bulgarian 28 Jul 85 p 2

/Article by Nedyalko Khadzhiev, Temenuzhka Khristova, Dragomir Penchkovski, Stoyan Todinov: "Incompatibility With the Words: Each and Every One of Us"

/Text/ During the 3 days of a provisional meeting in Burgas, 69 signals, complaints, and proposals were elicited. We learned about neglected farmyards, petty and not so petty encroachments on community property, trade violations, etc. In one unarguable way the visitors demonstrated that they are managers with self-confidence, who maintain order in the common "yard" while being stern and just.

And in imperceptible ways many examples of good management, which are being accomplished every day in the city in the workers' collectives, are being saved up. We will only mention that their successes in the struggle for saving material, fuel, and energy are increasing. The mobilization to overcome the lag experienced from the first of the year, to complete the 5-year plan and fulfill the plans, is great.

A hidden reserve that has not been used up, this is how we could define the concern for preserving and increasing socialist property. This is a concern common for officials, economic leaders, and workers' collectives. Everyone who permits common resources to be squandered is responsible.

A Check:

Three years have passed since a change was made in the Criminal Code, wherein petty thefts and embezzlement of less than 50 leva were decriminalized, but the vice director of Bulgarplod, Ivan Chaykov, seems to be hearing about it for the first time. It is true that he has only recently occupied that position, but other employees at the enterprise (whom he called on for help) mumbled similar words. They did not manage to open up even one document to at least take measures according to the book, but later they brought to the meeting place two new, white pieces of paper with the same three "steps taken" for 2 years! Here they only steal sometimes, they told us, when there is a shortage of cherries or tomatoes. We will not comment on similar declarations, only one fact, that our arrival and departure by car did not evoke any reaction at the gates of the enterprise....

"Thefts have disappeared!" the director of the Rodopa meat combine, Georgi Stoychev, greets us jokingly. But afterwards, we seriously acquainted him with a whole pile of documents, with measures taken, and unresolved problems. Since the beginning of the year, administrative-punitive responsibility was sought for 44 thefts, and 29 of the cases were handed over to the district attorney. Perhaps the thefts will disappear when a new, modern combine is built. Then technological control methods will decrease the opportunities for embezzlement. But do we really have to wait, instead of increasing control methods and educative work among the whole workers' collective?

The leadership of the Hemus plant is well acquainted with normative documents. It is true that a ballpoint pen or a (flumaster) produced here could easily be carried away by some worker, but the managers are convinced that there are no thefts here. We will not argue. Without evidence, we would not want to offend or falsely accuse anyone. One thing, however, is not contestible: there is room for thinking about a more effective control system.

The Testimony of a Jurist, Donka Boteva: Control By the Book Means Sending Cases to Court

"During the time of the meetings in Burgas, we once again encountered violations of norms which help to preserve socialist property. Most of all, control by economic leaders and organs which specialize in the movement of material commodity values is either lacking or is insufficient. At the same time, we have seen the establishment of a lack of management and impermissible lack of concern on the part of administrative leaders of state and cooperative economic organizations. At times this has been turned into fertile soil for criminal embezzlement of socialist property.

"Recently we have seen frequent cases of people who are prone to corruption addressing themselves to cooperative and other economic organizations, to agro-industrial complexes, etc., proposing initiatives for the development of profitable economic activities. These "economic activists" saddle a whole organization with the new production, as they aspire to maintain personal veto control. When they are left with the desired production, actions develop according to a classic pattern: independent manipulation of the production and expense norms, hiring of "dead souls," accumulation of materials and finished products, collecting criminal incomes in huge amounts. This phenomenon is accompanied by unfulfilled consumer demands. It determines the readiness of certain economic managers to ensure the enterprise has easy income through production by private business contractors, instead of organizing these activities themselves in accordance with the normative acts. An illustration of such instances is provided by the actions of I. Shivachev, of the Pchela Industrial Combine in the village of Podvis, Burgas Okrug.

"He has been convicted 12 times, primarily for the embezzlement of socialist property. He was hired as a syringe operator, 7th class, but in actuality he is the organizer and leader of a newly-opened workshop for making plastic items, /illegible copy/ trust, a lack of control, departments for salaries with fictive names, lowered norms for the production machine...tens of thousands of leva in I. Shivachev's personal account. All of this could have been turned back or

halted right at the beginning, if decree No 1074/1974 of the Council of Ministers had been applied, if an elementary check had been carried out; this decree deals with limiting the hiring of convicted felons in accounting, materially responsible, and other official positions.

"During the time of the meetings, accusations were made at the Burgas Okrug court against 74 people for theft of seedlings from the state forest fund, for illegal trade activity, document crimes, bribes, etc.

"Losses of over 1 million leva occurred. The illegal income amounted to around 600,000 leva. A great quantity of plant life was destroyed. Not one of those accused had any decisive trade in seedlings. Twenty-seven state and cooperative organizations from 10 okrugs were used as middlemen for selling the stolen seedlings.

"The causes here are an absence of initial, current, and final control at the facilitating organizations and consumers. Basic requirements relating to a regimen for caring for and buying the seedlings were trampled. There was insufficient protection of the state forest fund, and the state seedling and cemetery parks, from which the seedlings sold were stolen. Again we come to the conclusion that instead of consumers seeking to motivate the economic leaders in their aspiration to organize a well-developed production, this has brought about an "easier" way to realize outlandish incomes.

"What is striking is the attitude of indifference on the part of certain agro-industrial complexes in the Khaskovo, Sliven, Varna, and Burgas Okrugs toward socialist property which has been entrusted to them. The "heroic trust" displayed in K. Kolev, who was sentenced to 12 years for his crimes, led to creating a private livestock breeding farm.

"He deceived a number of economic organizations and agroindustrial complexes, who sold him animals with the promise that he would pay several days later. But since he was more occupied with fraud than looking after the animals, he never paid for the livestock he had gotten on credit. For almost a year he inflicted damages on those organizations, to the tune of 47,217 leva. In addition to this, he made agreements with agroindustrial complexes for fattening these animals. Because of a lack of control, he sold them and in this way caused over 64,000 leva in damages. Dissatisfaction is aroused by the fact that the officials of these farms made no checks at all to ascertain whether he was capable of taking care of these animals.

"In order to avert similar examples of poor management, the Ministry of Finance and the National Agroindustrial Union published an ordinance on 13 January 1984, which defined the conditions under which the agroindustrial complexes and other agricultural organizations can make agreements for the production of agricultural produce and the care of livestock.

"And still, no matter what normative documents we create, how strictly the laws are applied is another matter. Each and every one of us, as members of our society, cannot permit tampering with the sacred basis of our social order, socialist property, to go on around us.



Many of the visitors at the meetings gave accounts of embezzlement and wasteful practices which they had observed around them, at their place of work or simply on the street. They gave us the addresses for the following checks, where we found not only affirmation of what we had heard, but even more new facts, questions, and conclusions.

#### A Check:

Is a warehouse for used or valuable materials really the warehouse managed by Stroitelni Izolatsii at the Promishleno Stroitelstvo State Economic Trust of the Neftokhim Economic Combine near Burgas? This is a question that could be asked by anyone who looks into this. Various broken materials lie scattered about, covered by tall grass, and the warehouse building has been without windows for a long time. The second warehouse has a gate, but we were met at the gate by a huge pile of refuse. According to a check made by the rayon committee for state and people's control, a year ago the junk here amounted to around 10 tons. Here is one more fact from the figures of that year: 6,350 square meters of (konobit) worth over 12 million leva were lying out in the open. Would it perhaps be superfluous to comment on this type of management, and the fact that instructions of the rayon committee for state and people's control on eliminating these and other more alarming violations had a fulfillment deadline of 1 July 1984?

During the meeting period, we carried out a check to establish thefts of state gasoline. In just a few hours alone, 70 violators were apprehended. And as in similar cases at the beginning most of them denied their complicity, then fabricated various versions, finally they confessed who had taken it from where. Each of them got a well-deserved lesson.

We mention these important facts in passing, in order to arrive at the most alarming violation found during our check: At three gasoline stations in Burgas, the A-86 state gasoline was sold without any metering. This is unexpected, but the fact is that the oil depot in Burgas turns out to be the greatest violator of the 28th Council of Ministers letter of 1979. Supplying the gasoline stations with unmetered gasoline has opened the gates to many violations. But let us not simply report the fact, rather find those to blame, those who were in fact justifiably punished: the manager Ivan Markov received a reprimand, and Veselina Stoykova, the head of the warehouse, received a stern reprimand.

This case could be considered closed if everyone had learned something from it, especially those people who are obliged to conduct intradepartmental control at the oil depot, for it is unfortunately true what the citizen who called the meeting said: that the gasoline truck drivers boldly fill their containers with gasoline. Clearly it was no secret to them that the gasoline was not metered. Another thing is also clear, that the most alarming thing in this case is not the damages, but the "indication" which this leaves in the consciousness of many people.

The Testimony of a Writer, Kiril Topalov: For a Periwinkle and For All of Us

"The work of this series of reception meetings evoked contradictory feelings in me: on the one hand, I felt satisfaction about the active intolerance displayed by many citizens toward violations that are permitted, and on the other, I experienced alarm that in this okrug there exists a sufficiently unsettling deformation in the mentality of many people in regard to their attitude toward socialist property. There are a number of professions, including bartenders, waiters, managers of resorts, taxi drivers, traders working with shortages of goods, auto mechanics, body shop workers, all kinds of people performing domestic repairs, etc., in which people have long been gazing calmly and peacefully at permitted forms of stealing and at personally profiting at the expense of the citizen receiving service. Are there no honorable people in those professions? There are, and I personally know some, but have we not begun to look at them with suspicion?

"If a person takes a peek into the courtrooms, he will most certainly be struck by the discovery that corruption begins to grip persons with responsibilities for materials at a very early age, between 20 and 30, which means that these persons begin to steal, embezzle, and commit crimes in the very first years, perhaps even the first days, after joining their profession. What does this mean? Does this not mean that corruption comes about not only because of temptations offered the person by his profession, but that it is already inseparably linked generally with a notion of certain types of professions? Does not this confirm the open secret that it is often possible to obtain a position as a bartender, manager or waiter only by paying bribes?

And like any ordinary citizen, I was at first impressed by the negative facts. But each fact has a reason, and I think that there will be no change until we occupy ourselves seriously with eliminating the causes. It is true that a special set of reasons apply to the Burgas Okrug; these are connected with the active domestic and international tourism throughout most of the year, but even here I think we find the basic symptoms of a general ailment. If we put together a case history of this ailment, we would have to enumerate a long list of causes, and thus I will point out only those which I feel are endemic for all the rest. First of all is the failure to maintain the ordinances of the corresponding organs, second is the lack of stern and effective control, strictly seeking responsibility for violations and crimes.

"In short, laws deal mostly with results, not causes. How many of /illegible/ economic leaders have cheated somewhere on production, supplies, trade, or services? Often those who only take advantage of the situations created feel the effect of the law; their motto is that the person who does not eat the periwinkle is crazy. As we know, however, the number of test periwinkles is limited, and we are all responsible for it: those who prepare it, cook it, divide it, carry it to the table, and everyone who watches to see that all these operations are carried out precisely."

A similar case was related to us about the Neftokhim Economic Combine in Burgas. Workers are leaving the second shift and getting on a bus. In the darkness, one of them pulls out a package of parts that had already been put together

and places it between the seats. During a check, someone finds it and asks: "Whose package is this?" A long, painful silence ensues, and the "owner" remains anonymous. But people sit in the bus, their heads down or gazing outside, good production workers, some of them even members of commissions for people's control.

This solidarity with a person who has violated our common labor is crooked. These people might be excellent master craftsman and might fulfill their plans, but we could hardly call them good managers. Do they think that one such encroachment diminishes the effect of their work, which has made their bodies so tired? Do they not feel robbed by some audacious violator? Or do they think: I have got mine, and they will pay me for it, but the parts are a loss only for the plant, the combine?

#### The Testimony of a Sociologist, Petko Simeonov: The Critical Point

"The question is: why do we have to wait for this type of reception meeting to signal the irregularities, for the authorities to take measures?

"Roughly speaking, what goes on in daily life is "invisible." In the morning we get up, turn on the radio, get ready, travel to our job, work in the accepted fashion, in the evening we return, sit in front of the television, and go to bed. We stop seeing peculiarities, especially those things which are not right in our lives, we get accustomed, as they say, to our own dissatisfaction with the irregularities.

"And something quite special has to happen for us to fall into a crisis situation, in order to look around suddenly and notice that not everything is natural or comprehensible. Daily life at a transportation enterprise, for example, has no special aspects, but if a severe accident takes place, everyone looks for the weaknesses that were permitted. There is a saying: If ifs and ands were pots and pans, there would be no trade for tinkers. Ways of avoiding the accident that has taken place are seen which were invisible before. In sociology, such a position is called a critical point.

"This meeting represents a critical point. We have representatives of a newspaper which affirms and develops in the consciousness of every reader the basic values of our society. Having it in a city means offering a chance to citizens to stand at the critical point of their values and look around from that point.

"People have come to us and reported about various things. Some had been personally affected, others were concerned about society's interests and the fact that they were reporting on cases which had angered them for a long time contains a valuable supplement to what was said. This means that a person has not grown accustomed to this type of life, that he is not blind to his own faults, because he is ready to participate in changing them. All he needs is a critical point to arouse his activity.

"The critical person is a valuable member of society. He must be given support."

We have chosen the correct path in our efforts to protect socialist property from theft and wastefulness; this categorical conclusion could be made by anyone who is acquainted with the comprehensive program devoted to these problems, adopted in June of last year by a joint session of the okrug people's council, with colleagues from the Prosecutor General's staff, and the leadership of mass-political organizations. The program covers the period up to 1990 and foresees the fulfillment of a number of all-encompassing measures, which should lead to the expected, comprehensive, positive results. One year is not enough to make categorical conclusions and evaluations, but the first initial stimulus for the manifold efforts to carry out this program shows that the correct tone, the true approach, have been found for solving a number of complex and responsible problems. Now the state organs and social organizations in the okrug are working, with greater coordination, on efforts to constantly raise standards and increase intolerance of phenomena which infringe on the sanctity of socialist property. This intolerance extends to the slogan: each and every one of us.

#### Waste of Water Condemned

Sofia RABOTNICHESKO DELO in Bularian 29 Jul 85 pp 1, 2

/Article by Lulivera Krusteva and Dragomir Penchkovski: "The Cost of Careless Drops"/

/Text/ The weather is capricious. It frowns; it gets so hot you cannot breathe. It makes you want to stop by some fountain in a park. These are the same fountains we recall tenderly when we travel on foreign roads and there is nothing to cool off with except foreign carbonated drinks. But otherwise, when we are at home, we forget about the cost of water and leave it to bubble freely from thousands of broken faucets, we wash our cars with it, we irrigate with it, generously cool beer bottles or watermelons with it in the sink. These are careless drops, which if gathered together would gush forth like rivers.

These are "larcenous" rivers, especially now, after a series of drought years. At the end of last week, we went to some of their "sources," together with representatives of the Vodosnabdyavane Economic Enterprise. On these hot days, it is probably hottest there. And this is not only because on 24 July, 86 signals about accidents and breakdowns came through, and 89 were obviated, that on Saturday the "chiefs" came to work, to jack up those remaining then to reach the figure of 99 illegal breakdowns for the city. Or that fact that 55 enterprises in the capital have exceeded their limits for the first 6 months, and despite the 337,000 leva in fines imposed, money cannot create water. (Since the beginning of the year to 21 July, 1,241 documents had been drawn up in the social and private sectors alone.)

"The situation is serious. Our most pressing problem now is not permitting, for any reason whatsoever, anything to be brought into the water regimen," engineer Petko Petkov, main director of the Vodosnabdyavane Economic Enterprise, explains. "There is only one way out: a radical change in our attitude toward water. It is true that most of the leaders of enterprises in the capital have



approached this problem with the necessary sense of responsibility, but what has been accomplished is still far from the goals that were set."

Party and state resolutions oblige every industrial enterprise to construct its own source of water, to satisfy its needs for water used in technology. And the deadline for doing this was 30 June 1983. This date has long since passed, but this has not hampered certain economic activists, and the "war" of fruitless correspondence continues. There are even paradoxes: at the Plant for Metal Cutting Machines, eight documents have been drawn up since the beginning of the year, while at the institute located there they have a totally different attitude toward water. They are neighbors, but how far apart they are in the comprehension of their duties. And the 6 September Plant has been fined four times in 2 to 3 months. The disputes with the Sredets (ZEM) have been going on for just as long.

"We could enumerate even more stubborn economic management groups, and the question of small enterprises remains open," Petur Dimitrov, the head of the Inspectorate for Control of Domestic Water Piping Installations, adds to the conversation.

Wherever we find a person, be it in summer houses or trade and industrial sites, even at some enterprise, we can come across some violation in regard to the thrifty use of drinking water. We went to the closest address of the Obshtestveno Khranene, the Koznitsa Restaurant. In the kitchen area the water taps are running, though only a small amount is coming out. And so when scrubbing the dishes, the woman opens up the faucets full blast. We conducted an experiment to see if washing could be done with a "shorter" stream. The effect was the same. And water was running in an empty bath for the staff, though it was not needed. We found the same situation at a neighboring site. The reasons had no natural, technological foundation; the people simply had not turned off the faucets. Left like that, a tap could waste 3 or 4 cubic meters of water in a 24-hour period. The director of the enterprise shrugged his shoulders helplessly and agreed with our findings. This will not correct things, however, rather it gives him greater personal responsibility.

We set off for the Serdika Combine, in the so-called Batalova Vodenitsa residential district. If people speak about a water mill in the second part of this district's name, then there has to be water. And there is. Willows grow beside it, but no one can see it. On the way we learned that the neighbors of the Khristo Nikov Food Combine for Milk use drinking water to wash their automobiles. And only one wall separates them from the courtyard where subterranean water is collected. But this underground water flows freely into the canals. There is so much water in the well that it flows out without pumping. It was decided to use it to wash the exterior of asphalt lots. And to top this off, compressors are cooled with drinking water.

The same was true of the Khladilni Mashini workshop, at the car wash site, despite the fact that the combine has three wells. Of them only one is used, uneconomically.

No matter what the explanations are, this attitude is less than serious, because the combine is literally sitting on top of the water, thirsting for it. At the yogurt workshop, drinking water is used even to make the containers flow more easily along the production lines. And it is no accident that since the beginning of the year, their overrun is 36,900 cubic meters.

We went to the second base of the 8th Autoenterprise in Gorna Banya. A forgotten fountain gurgles away there in the middle of the courtyard. Mechanic Petur Spasonov met us with the explanation that everything was in the hands of the leadership. They had been trying for a long time to have a hole dug, but this voice was lost in the wilderness....

The sound of heavy machines with their turning drums led us to the concrete junction in Gornay Banya. Here they produce 200 tons of concrete a day, and thus they use up 200 cubic meters of water, which comes straight out of the drinking water tap. This site has been in existence for years, and every working day the water not only flows, up to 200 cubic meters of it pour out; let the specialists calculate the losses. We know that after being loaded with concrete, each vehicle has to be washed on the outside. But despite this, even now they have not dared to come up with their own source of water.

"We have already taken that problem seriously, and things are moving; we even tried to do something about it ourselves: the water was stopped, there was not even any place to wash your hands," the leader of the concrete site, Petur Lazarov, reported.

It is necessary to draw up a document to scare people, so that production has to be stopped, so that things can get moving? The situation is similar, not only at this site. During the first 6 months of 1985, 674 checks were carried out at industrial enterprises, and 137 documents were drawn up for the director or their assistants. This again skirts the directives on the thrifty use of water: it is a very bad practice to play hide and seek, a game that has been dictated by a dishonest way of pulling the rug out from under ourselves.

The lack of means, the slowness in drawing up plans, insufficient equipment or a lack of people to get things done—these are justifications which have already become a trivial smokescreen for carelessness. Extraordinary measures are needed at every enterprise, at every rayon people's council, from everyone in the capital.

#### Postscript

Last night, while this issue was being put together, the editors received a call from citizen Vulchko Blagoev in Sofia. Water has been flowing for 3 days from a broken pipe in the system on the street in front of Block No 118 in the Zakharna Fabrika residential district, he reported. Nearly 20 calls to the Dimitrov Rayon Council and to Vodosnabdyavane elicited no result. A person feels sad when he sees so much water flowing into a canal. It would be better to stop our water for one night, to fix the damages, or....

And this is what Yordan Khristov, who lives at 64 L. Karavelov Street in the capital reported. "Ever since yesterday, I have been keeping track of a phenomenon which is incompatible with the great campaign being carried out by the mass media to save water. In Dragalevtsi a water pipe is broken and water is flowing out, right in front of the mayor's house. No matter how dry or hot it is, that water keeps flowing, and one day for sure we will be looking for those same drops of it...."

As you can see, even organs which are obliged to serve the needs of social control of water usage can also be careless about drinking water.

#### Environmental Concerns About Water

Sofia RABOTNICHESKO DELO in Bulgarian 31 Jul 85 p 2

[Article by Purvan Todorov: "There Is No Life Without Water"]

[Text] Do we think about what we do?

Do we feel a sense of responsibility for decisions we make?

Do we need to lull our conscience to sleep when we clearly harm the environment?

In this case we are talking about life and its root--water.

Three rivers, the Iskur, Vit and Osum flow to the Danube through Pleven Okrug. Their muddiness gives us the right to say that we do not value their water. Many stories have been told about the purity of the rivers, there have been a lot of documents and decisions, but things are difficult to change. Still people believe that they will be able to restore the beauty of the rivers because they see, that finally, although slowly, purification stations are being built. But these raise a basic worry about the fate of the underground water, for this is a source of satisfying needs for drinking water. Many households have wells in the water basins of the Vit and Iskur, each village has water pumping equipment, but the wells beside the Vit, which supply water to the large villages of Krushovitsa and Gorni Dubnik, are drying up.

"Now we have to get the drinking water for the village from an old source, but it is not a good one, and the Hygiene-Epidemiological Inspectorate has banned its use," Ivan Khitsov, the mayor of Krushovitsa says.

The reason for the sharp decline in underground water in the Krushovitsa area is not the drought, but the senseless dredging of the Vit riverbed by enterprises which are seeking coarse aggregate. Because this material is being dug out, the underground water is disappearing and the wells in the Gorni Dubnik rural system are drying up. The okrug paving administration and other enterprises are not reckoning with this. It is true that construction is needed, but something of value has to be considered, water. There is a manager for the okrug, and he has to play his role as an arbitrator, and soon, or else it will be too late.

The water level is also falling in the wells in the village of Bregare. A correction of the Iskur River was carried out there, but the old riverbed remained. Winter and summer it was filled with pure water, since it was maintained by countless sources. Erosion, however, began last year. Fish and age-old trees are being destroyed. Because the springs are being filled in, the underground water has clearly taken other paths, and the village's wells are drying up! This is also the fate of underground water in the land around the villages of Bozhuritsa, Podem, and Komarevo, where the old bed of the Vit River has begun to erode.

The land has been saved, but the water is lost!

Folk wisdom teaches us: Choose the lesser of two evils. The economic council of the Georgi Dimitrov livestock breeding complex, together with specialists from the Okrug Agorindustrial Union and Vodproekt discussed the situation that had been created and permitted the old riverbed of the Vit by Podem, Komarevo, and Bozhuritsa to remain. Erosion has been halted in the old riverbed of the Iskur near Bregare and farther down by the area around Stavertsai and Krushovene. The livestock breeding complex has been deprived of several hundred decares, but hundreds of households have been helped. And what is more, in the broad plains the old riverbeds are an oasis of fast-running, beautiful water, with fish.

"In the development of designs for the recultivation of land lost to erosion in the old riverbeds of the Vit and Iskur, we did not consult with ecology specialists. We made a decision in the name of what is good, to increase the fertile land, and we dealt with an unsuspected evil which we are now correcting," one of the specialists from Vodproekt reported.

No one is against the recultivation of swampy, boggy places. But where the water can be used, where there are vital springs and greenery provided by nature, the blessings should be preserved.

There can be life without water!

#### Water For Irrigation

Sofia RABOTNICHESKO DELO in Bulgarian 31 Jul 85 pp 1, 8

[Article by Katya Pettova and Dimitur Trifonov: "How Are You Irrigating, Neighbor?"]

[Text] The value of water is especially high now, in the midst of a dry summer, when the brooks are drying up and the grass is turning yellow. Every person who has sown seed and dug expects to harvest the fruits. But before this he has to water. And when every drop is valuable, it becomes quite important how and with what he irrigates, for we cannot permit sources that we need to dry up; we have to display more resourcefulness and persistence in seeking reserves of irrigation water that is not suitable for drinking. The thrifty and wise use of water is everyone's primary concern.



## A Postscript Instead of an Introduction

In the issue of RABOTNICHESKO DELO for 29 July of this year, in the materials about "The Value of Careless Dorps," responsible organs were informed about the careless attitude toward water on the part of those who are charged with managing it. Citizen Vulchko Blagoev from Sofia reported that because of a break in the system on the street in front of Block No 118 in the Zakharna Fabrika residential District, water was flowing reeely. And Yordan Khristov, also of Sofia, told of how a pipe had broken in Dragalevtzi and the water was running, literally in front of the mayor's house. That same day, early in the morning, we were in the office of the chief director of the Vodosnabdyavane Economic Enterprise at the Capital People's Council. We reported to him about the checks that had been made in these two cases. The emergencies were handled. We wrote down the final words sent by engineer Petko Petkov to the emergency groups:

"Every signal must be checked out. If necessary, we will work at night, but the breakdowns must be fixed."

We wrote down these words because they suit the expeditiousness and desire of the people who work here to attain the maximal saving of each drop of water.

We do not like, however, those words which are used in an attempt at justification. Truly it is difficult now to work on keeping the water pipes in good order. During the summer many people are on vacation. But it sounds quite strange that, from the point of view of contemporary technology, the break was hidden in front of Block No 118 in the Zakharna Fabrika residential district, which means that the street had to be dug up in three or four places (!) in order to locate precisely where the break occurred.

We began our conversation with the duties and rights of employees working for the Vodosnabdyavane Economic Enterprise. But the problem has another facet: that is, the place of each of us in water saving. The active agricultural season led us to the Demeti Septemvri district of the capital, which is still known as Sofia's green belt.

Social control can hardly be maintained for every violator. People now protect neighbors who irrigate with drinking water, because they will do the same thing tomorrow. Others close their eyes to the violations, saying that it is not their business. It is strange that the people with the power, people in the units, seem to be afraid to carry out their duties, although there is a regulation of the Sofia People's Council, in accordance with which violators must be fined "according to Art 31 of the Law on Administrative Violations and Punishments, with acts concerning stated violations drawn up by officials of the Vodosnabdyavane Economic Enterprise, rayon managements, and the Sofia Municipal Administration of the Ministry of Internal Affairs. The punishment clauses are published by the representatives of the Executive Committee of the Rayon People's Council at the location of the violation."

There are few mayors who conduct checks, either by themselves, or with the assistance of other competent organs. And when someone is asked why saving

water is considered a secondary duty, usually the answer of these leaders is that there are a lot of tasks to be done and there is not enough time. This was the explanation given by the leaders in Dragalemtsi a month ago. It appeared that there were no violations there, that everyone was conscientiously and willingly either not irrigating, or doing it according to the legal method, from their own wells. But a check made by the Vodosnabdyavane Economic Enterprise showed that the facts were quite different. Six documents were drawn up in just 1 hour and  $\frac{1}{4}$ . It was no accident that the gardens at 1, 3, 5, 7 on 417 Street, at 43 on 1 Street, and at 6 on 502 Street were lush, they were maintained with drinking water.

#### "An Exemplary Summer Estate"

We find owners of summer estates whose consciences have not progressed beyond the framework of individual prestige: "Mine is better than my neighbors." It appears there are many such people. They do not think that the burning sun is drying out not only their land, but all the land in general.

Old people in the village of Kutina cannot remember when their river has ever dried up. The situation is also serious at Novi Iskur. The work of the inspectors for the Vodosnabdyavane Economic Enterprise is not easy, and they take no holidays when making their checks. On 26, 27, and 28 July alone in the village of Bistritsa, 24 documents were drawn up because drinking water was used for irrigation. We spoke with Georgi Veselinov, the mayor of that village about this problem:

"The thing which bothers me the most is that some of them go out with pliers and knobs and turn off the water in one district to transfer it to another. This is taking the law into their own hands and must fall under the scrutiny of the appropriate legal norms, by which the guilty people will be strictly fined."

#### There Are "Water Poachers"

Surely the reader must be encountering this term used for the first time about people who link up to the central water system without official documentation or the knowledge of the corresponding state organs.

In Kosanin Dol (near Gorublyane) a lot of places have been simply usurped, without notarized documents, and without any knowledge on the part of the mayor's office! A whole system of water pipes has been constructed. And this is piling one violation on top of another. As they say, bad things always come in pairs. But are these violators the only guilty parties? We are convinced that the mayor's office should have gotten itself involved here long ago, along with the leaders of the Dobrevi Septemvri district and the Capital People's Council, to put a halt to this mess. People have been talking about it for a while. And the lands illegally usurped make up just one of the questions which are constantly on the agenda of the Capital People's Council's Executive Committee.

"In Smardana, near Sukhodol, we shut off the water of Petko Popivanov," says Petur Dimitrov, the leader of the Inspectorate for Control of Domestic Water

Piping Installations. "He was irrigating about 1 decare of berries with an illegally constructed water pipe. He had diverted some for himself and for others like him. We shut off his water and called on him to appear to determine the degree of his guilt. And to this day he has not come forward."

At the conclusion of our checks, nearly everyone expressed the same desire: "Now I will have to save every drop of water." These words were spoken by leaders and ordinary workers. This causes us to think that there is some understanding. All that remains now is action. This is what each of us has to do to solve this problem.

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BULGARIA

WATER SHORTAGE, POLLUTION CREATE SERIOUS PROBLEMS

Pollution in Yantra River

Sofia POGLED in Bulgarian 27 May 85 p 8

[Article: "But the Polluted Yantra River Keeps Flowing"]

[Text] Two years ago a team from POGLED traveled for kilometers along the Yantra and pointed out who was polluting the river and where. Now the head of the Rayon Inspectorate for Environmental Protection, Anton Gugov, personally assures us that work on purifying the Yantra has begun, that its waters will be free-flowing and pure in a year or two.

"Recently the purifying station in Gabrovo (which they've been building for ten years) has begun to work on it, though just partially," Gugov said, "they're building a purifying station at Sevlievo, as well as at the Stoyan Buchvarov domestic fixtures plant. They've begun to build a purification station at the Dobri Kartalov plant, the Republika canning combine, the Zarya plant in Pavlikeni, and many other places. Thus we have reasons for being optimistic. In many respects the indicators for pure water improve with each new scientific sampling.

"In addition to the industrial enterprises, the river is also polluted by livestock breeding farms. The calf-fattening farm in the village of Shemshevo still has no motivation for collecting and utilizing liquid and solid waste products from the caves. All of this flows into the Yantra. The same is true for the livestock breeding farms in the villages of Krusheto, Khadzhi Dimitrovo, and Bulgarsko Slivovo, the reproduction base for pig breeding in Shumen, and many other places. Not all necessary measures have been taken for stopping soil erosion in the okrug, in the swampy areas. The irrigation system in Veliko Turnovo is one of the oldest systems; it permits excessive squandering of water and makes places swampy and brackish.

"One of the toughest questions is still connected with the Sugar Factories in Gorna Oryakhovitsa. They pollute the Yantra most of all because there is a lot of waste in processing the sugarbeets, and it is tossed right into the river. Every year they pay tens of thousands of leva in fines, but so far they have neither implemented the technology for using these waste products nor any purification equipment."



## Water Shortage in Bulgaria

Sofia POGLED in Bulgarian 27 May 85 p 8

[Article by Zorka Krusteva: "The Situation Here"]

[Text] Here are some responses to this matter:

Engineer Stamen Stamenov, vice chairman of the National Water Council:

The outlines of the third dry year are already clear. As a result of this, water resources are quite low. The underground water level in most of the rayons has fallen, in some places by more than two or three meters. Many of our rivers are polluted beyond the permitted norms, and the water cannot be used for irrigation, or industrial needs (industry, by the way, shares much of the blame for this condition). Several years ago the government allocated huge sums for purification stations, but their construction has been dragged out, and their effect is tardy. Underground water is threatened because of incorrect fertilization (more chemical fertilizers than necessary are used), litter is piled up along the river and at other inappropriate sites. Thus many of our water sources are polluted.

"The amount of surface water has decreased. Our nation has many hydraulic systems for collecting water, but because of the light snowfall and rainfall, the quantity of water in the Batak, Belmeken, Dospat, and Iskur reservoirs has been decreased. This obliges us to take extraordinary measures right now to collect water, preserve it from pollution, and literally save every drop."

Engineer Stamenov points to decree No 13 and the ordinance on the thrifty use of water by enterprises, collective systems, and organizations. The results of economic activity are linked with the expenses for water. Socialists organizations (excluding hydroelectric power plants) will pay five times as much for water used over the established norms.

Workers and employees who bring about ways to realize saving water, as well as using waste water, will receive awards from the hands of their respective organizations and administrations.

Are There Other Measures?

At the Vodno Stopanstvo State Economic Trust, things are very tense right now. The trust has a lot of work to carry out. Thus briefly:

Engineer Vasil Korkovski, general director of Vodno Stopanstvo:

There are many tasks in our large governmental program devoted to water. The most significant is constructing by 1995 15 million decares of irrigated areas for intensive agriculture, for obtaining two or more harvests annually from the basic agricultural crops, such as corn, soybeans, alfalfa, etc. The

second great task is clearing 1.5 million decares of swampy areas, mainly in the places alongside rivers. This is fertile land which should be utilized.

"With our help all the free-flowing water should be collected and directed to vegetable gardens and fields. By the end of July, we have to put together equipment for irrigating 50 thousand decares and clear 20 thousand decares of swamplands."

Engineer Tsenko Denchev, director of Eksploatatsia at Vodno Stopanstvo:

In the last 40 years the hydraulic equipment in our nation has increased 40 times, but the water shortage makes it difficult for us. We get little water from snow, and the rain that does fall does not fill the reservoirs. Now we have to seek reserves, to save water. Each drop of water has to be collected. New test pits are being studied, irrigation canals are being relined, so that water does not seep out, sewage networks are being expanded, and work is going particularly well in the Plovdiv, Varna, and Blagoevgrad Okrugs. Engineering plans have been developed for each rayon, for every apartment block, as well as the technologies for correct irrigation. People who do irrigation are studying right now, every must know how much water is necessary for his or her apartment block, and how to direct the flow and water properly.

What the Scientists Think

Academician Dimo Velez:

Our nation is relatively poor in water resources. They are not divided equally over all the territory and throughout the year. For example, the use of water is greatest in the summertime, but average flow then is only 15 to 20 percent of the annual flow. That requires shifting water from one rayon to another and from one river system to another, as well as the creation of reservoirs for holding the winter and spring water.

"A great problem for our nation is water pollution. The water cannot be used and is lost. Thus the question of water purification is a very important one, so that water can be used for irrigation and in industry.

"The irrigation regimen is extremely important, the fertility of our soil depends on it. The water contains salt, and when there is a lot of it, the level of underground water rises, comes closer to the surface, the water evaporates, but the salt remains, and the plants cannot develop properly.

"Water is wasted when the water supply equipment is not maintained, as in Sofia, for example. You often see water gushing out of broken pipes. It is calculated that around 30 percent of the water in Sofia is wasted in this way."

Professor Petur Ignatov, the director of the Institute for Water Problems at the Bulgarian Academy of Sciences:

"The average flow of water in our nation approaches 20 billion cubic meters, but around 60 percent of that is captured for use, since the flow is not equal, certain regions have water, and others are short. But we also suffer from a lack of good quality water. Practice shows that we have great resources for decreasing the water used by industry for example. There they could switch to recycled use of water, and thus be completely excluded from the water network. In many nations around the world, enterprises operate on a closed cycle and release no polluted water. In addition to this, we need to modernize our technology for purification, calcification, disinfection, softening, etc.

"Our institute has developed seven types of filters for open and cover water sources, fully automated, for obtaining water that corresponds to quality standards. Spraying systems for droplet irrigation have been developed which work without electricity. They work on hydraulic principles and will be implemented on a massive scale. But when we are speaking about economies, there is one more resource, maintaining the street water systems, organizing its use effectively. Unfortunately Sofia still does not have such a service. The construction of additional piping for drinking water has been delayed.

"I am certain our country will deal with this acute water shortage by moving away from old misunderstandings and by maintaining a comprehensive struggle, not just individual campaigns."

#### Who is to Blame?

Prof. Ignatov is certain that we will deal with the situation. But why do we think about water only when it stops flowing? Why is it the case now, ten years later, that the L. Brezhnev combine in Kremikovtsi is constructing its own water sources and was switched off (as they say) from Lake Pancharevo? After it had been totally dried up?

But industries in Gabrovo continue to draw water from the Khr. Smirnenski reservoir, and not the Yantra, into which production wastes flow, making it unsuitable for use. They have been building the purification station in Gabrovo for more than ten years, and the one in Veliko Turnovo still does not trap all the pollutants (only the solid ones).

Industries in Stara Zagora rely entirely on the Georgi Dimitrov reservoir. Nothing has been done about finding their own sources of water, about recycling water. The situation in Sofia is even more serious. "There is nothing more polluted than the Iskur," people from Shope say nowadays. How long ago was it that the corresponding agencies of the Capital People's Council promised that no later than 1982 the Iskur would be pure. Additional pipes for potable water for Sofia have still not been designed, and who knows when this project will be finished.

Agriculture also bears great responsibility for overuse of chemical fertilizers and incorrect irrigation and salinization of the soil. River waters are polluted by the livestock fattening farms and other activities.

Everyone throws litter into rivers. Little streams and rivulets in residential areas have become dung hills. In other respects, summer houses are pretty, their gardens clean. Cars drive through grass, and they're washed in mountain rivers. Even in the highest lakes in the Rila mountains, you see cans, boxes, and yogurt containers.

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CZECHOSLOVAKIA

CC CPCZ SECRETARY NOTES INTENSIFICATION AS ONLY WAY AHEAD

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[Article by Miloslav Hruskovic, candidate of the Presidium of the CPCZ Central Committee, member of the Presidium and secretary of the CPSL Central Committee: "What Today and What Tomorrow--Intensification: The Only Way Ahead"]

[Text] Intensification of our national economy has become the only foundation for the growth of economic efficiency. Despite our certain successful achievements on our way to intensification thus far, there are numerous complex problems which must be resolved sooner or later. The highest party and state authorities of the SSR are facing this fact with full responsibility.

The progressive dynamism of our economic development and a gradual shift of the fulcrum of our efforts toward higher efficiency and better quality in their sum total helped increase the SSR's national income by 95.5 percent over the past 15 years. Thus, also the share of the SSR in statewide creation of national income rose from 27 percent in 1971 to 30 percent in 1985, including the fulfillment of the plan for the current year.

In the past 10 years, after the so called first and second oil crisis in 1973-1979, we began to deal more seriously with problems of fuel and energy conservation and their better exploitation. Consequently, while in the SSR we earned from one ton of specific fuel national income in the amount of Kcs 3,864 in 1975, in 1985 we shall earn as much at Kcs 4,825, or raise the relative value by more than 25 percent. It is a fact that this level is not sufficient because the prices of imported fuels and energy have risen even more and thus, the above-mentioned figure cannot balance the price we are now actually paying for every ton of specific fuel.

Our domestic production of lignite in the CSSR recorded a 23 percent cost increase in the 1971-1980 period; the increase projected for the current ten-year period, i.e., until 1990, is 43-45 percent due to the deteriorating mining conditions which cannot be compensated even by the latest technology of giant excavators, stowers, efficient conveyer belts, etc.

In the years of the Eighth and Ninth 5-year Plans we must reduce specific consumption of fuels and energy annually by 2.5 and 3 percent, respectively, and

continue to cut down our metal consumption by 5 percent annually. By decreasing the share of consumption in the production of social product by 1 point, calculated in the figures for this year, national income of the SSR will increase by 2.6 percent. I offer this as a graphic example, because in the Eight 5-year Plan we must reduce consumption in production by 2.8 percent and in the Ninth 5-year Plan by at least 3 percent.

Next to savings and better processing of all material inputs we must achieve higher efficiency and increase labor productivity. Thus, in the Eighth 5-Year Plan higher labor productivity must cover 81 percent of the increase in national income and in the Ninth 5-year Plan as much as 83 percent.

Never before have we dealt with such challenging tasks in shifting qualitative parameters of intensification of social production. For that reason, at this time, in the period before the Congress, we are making preparations and mobilizing forces, ways and means so that we may learn to discern and know how to resolve the task of our development from a really long-range perspective.

How can we achieve the above-mentioned final effects which are linked with the already outlined parameters of intensification as foundations for the growth of our national economic efficiency? I should like to focus attention on the most relevant of all accessible ways and factors of intensification--on the directions and the necessary range of progressive structural changes, on the directions and accelerations of R&D, on the development of international socialist integration, and on concepts, such as improvement of the economic mechanism--which will facilitate the development of our working people's initiative and above all, utilize the factor of human skills.

#### Structural Changes

For the entire next decade as well as for a longer perspective of time the weight of our industry in overall creation of the SSR's public resources will continue to be strengthened, namely, from 67.7 percent in 1985 to 72 percent in 1990 and more than 75 percent in 1995. Although the agrocomplex, construction and other branches of our material production will continue to grow, their weight will relatively decline. Further industrialization of the agrocomplex and construction, as well as modernization of transportation, communications and of other branches represent many impulses for the projected growth of importance of our industry.

For instance, from the current concept of the agrocomplex, which includes agriculture and food industry, we are advancing to a broad concept of an agro-industrial complex where with the forces of all industrial supply branches and with the forces of the entire R&D base--not only that which is focused on the agrocomplex alone--we intend to take an important step toward intensification of all processes leading to a higher standard of nutrition, particularly in terms of quality, the scope of selection, assortment, prompt satisfaction of needs, and economic management of marketing and production of food.

In construction production we regard as decisive expansion of its capacities mainly by increased labor productivity with appropriate increases of the number of workers. Tasks aimed at higher volumes of construction works outside the

CSSR territory, especially in the USSR, will be considered so that we may ensure further deliveries of raw materials, oil, gas, etc; also, necessary transfer of construction capacities to the CSR will be taken into consideration. We anticipate that the Ministry of Construction will strive to ensure investments of past labor input and labor value added, and specify tasks of intensive increase of the efficiency of construction works.

Along with the overall growth of importance of industry in the SSR economic structure, we now emphasize the development of processing branches, above all the development of machine engineering. The importance of the branches producing raw materials, supplies, fuels and energy will proportionally decline. While the development of our engineering industry is generally accelerated, we underscore the importance of several selected branches of heavy engineering, especially the development of selected branches of general engineering.

We promote in particular the development of our electrical engineering industry and within it, we envisage the highest growth rate of the electronic industry. To understand what this means in terms of the unprecedented progress in the structure of our industry, let us mention that over the next 10-year period our industry on the whole will increase by 156 percent while our electrical engineering will grow more than 400 percent. The selected sectors of electrical engineering will rise 4.2 to 7.5 times above the initial level, i.e., the data of the plan for 1985.

With its orientation of the development of production sectors that determine the growth of its final production, its technical standards and at the same time, which enable us to expand significantly our export potential and to satisfy our domestic needs, the branch of general engineering will continue to hold an important position in the economic development of the SSR.

Its share in general engineering of the entire CSSR is already high, namely, 40 percent in 1985, and we intend to expand it to 44 percent in 1990. To offer some idea about the meaning of this task, it should be noted that as compared with the increase of Kcs 14.2 billion in the production in the Seventh 5-year Plan, an increase of Kcs 17 billion must be achieved in the Eighth 5-year Plan and of nearly 19 billion in the Ninth 5-year Plan.

The most important task in general engineering will be that of the second strongest VHLJ [economic production unit] in Czechoslovak engineering, the Heavy Engineering Works in Martin, with its enterprises and plants spread not only all over the SSR but also over the whole CSSR, with its R&D base, extensively cooperating with the institutes of the CSAV [Czechoslovak Academy of Sciences], the SAV [Slovak Academy of Science], several universities and departments of technical and technical-economic orientation, and coordinating rational production and foreign trade, as well as with its developed specialization in production and cooperation with the USSR, the Polish People's Republic and other socialist countries, with its cooperation in production with some capitalist states, with its unusually high share of innovated goods and technology--if we assess it in the framework of all Czechoslovak engineering--and therefore, also with its important participation in the preparation and development of state goal-oriented programs. All this underscores the fact that this VHLJ follows truly great and bold goals and objectives.



By its boldness in thought and action the Heavy Engineering Works in Martin may serve in all the above-mentioned directions to many engineering and nonengineering VHJ's as a dynamic and powerful model of energetic endeavors on the way to intensification.

However, in structural remodeling we are now facing the most challenging problem ever in our electrical engineering. Neither in all of our engineering industry nor in all our industry--or anywhere in any branch of our national economy--are we facing such demanding tasks as here. On the one hand, this challenge stems from unusually high--externally the highers ever--rates of growth and greater weight and importance in selected sectors and productions.

On the other hand, the initial base from which we are advancing toward the next decade is relatively weak and we are at a stage when we are only beginning to organize more important R&D, development and construction bases, setting up cadre and professional bases and fulfilling other requirements, particularly in international socialist integration and in the pre-production, production and post-production stages. By the same token, it appears that in the next decade we must raise component electronics 4.6 times, computer electronics 4.5 times, medical technology 4.2 times, instrument and control technology 7.5 times, in addition to challenging tasks in investment and consumer electronics where we shall develop or plan specialization and thus, we shall bear responsibility for the entire CSSR.

Electronics and electrical engineering are developing in all industrially advances CEMA states at similar rates. The fast-expanding range of new branches and types of production imposes the requirement of international specialization and cooperation in R&D, production and ultimately, in the community of consumers.

### The Struggle to Accelerate Progress

Along with socialist integration, acceleration of scientific and technical progress today is therefore a vital precondition for the development of production forces, for the shaping of relations in socialist production and of strategic means to accelerate our national economy on the way to its intensive development.

The CPSL focused in the past and will focus in the future particular attention on this area because--despite the indisputable progress we have achieved--most branches are still making extremely slow advances in R&D. Renewal, reconstruction and modernization of our production assets must be based on the latest progressive achievements of Czechoslovak and world sciences.

Acceleration of comprehensive mechanization and automation of unified production processes must be regarded as the crucial orientation for our R&D progress toward which technical reconstruction of selected branches, plants and enterprises must be directed. The process of introduction of flexible production systems must be stepped up particularly in our engineering industry where it means efficient deployment of industrial robots and manipulators. At the same time it is desirable to keep in mind the need to humanize labor, especially in stressful, strenuous and unhealthy places of work. R&D must help more effectively in technical preparations for production and for construction, auxiliary and service processes, and above all, in rationalization of internal factory transport, handling and transportation of materials.



With the transition to a higher level of R&D progress the complex of problems related to the development of modern technology is of vital importance, because it is precisely technology and its changes which set the main directions of the R&D revolution. The experience of advanced industrial countries confirms that the technological renewal of production may be more efficient only if it is comprehensively implemented.

We must focus R&D in agriculture on upgrading of agricultural production by greater responsibility for the exploitation of our bioenergetic potential, dramatic improvement of efficiency in the replacement process, particularly by reducing material consumption in agricultural production and by major reduction of losses occurring during harvest, transportation and in storage.

We must significantly improve processing of raw agricultural materials in our food industry which must be gradually modernized. Selected biotechnological sectors must be organized in order to utilize biologically active proteins in our food industry, agriculture and health care.

We became used to achieving technical progress mainly by founding new investment capacities, but modernization and reconstruction are more appropriate and less expensive methods. It is necessary to put an end to the practice where production of new types of goods or higher volumes would demand that new facilities be built while other production programs were sought for the existing buildings, while unsalable goods were still being manufactured, etc. More thorough use of our raw material base and utilization of low-waste, more efficient and less energy-intensive technologies may offer additional resources which we urgently need in order to accelerate our economic growth.

#### The Question of Quality Remains Open

Such a source for improving efficiency of production is systematic concern for high quality and utility of goods. That demands an increasingly great share of creative thinking and skilled work in production. Quality today represents an important factor not only of the economic effect but also of the ideological influence. It would be very difficult for us to retain our place in markets if our goods were of inferior quality, but by the same token, inferior goods negatively affect people's attitudes and their involvement in production and nonproduction areas.

Although the state research program annually evaluates about 35 percent of the volume of Czechoslovak production, the current state research system affects--in the form of ratings or approval--the quality of goods only in the final stages of their development or only during their production and post-production stages. Thus, it exerts no influence on the process of research and development, when the technical standard of the product and its future quality are being determined.

The outputs of state research do not give advantage to exportable goods and do not provide special conditions for improving their ability to compete in foreign markets, by means of internationally valid attestation. Control of standard product quality is conducted at random and for capacity reasons it does not systematically apply all criteria of standard quality.

Among the inadequately resolved problems of control is the fact that innovation programs of ministries managing branches of production, specified in annual economic plans for technical development, are not always conceptionally determined from the point of view of our national economic needs. Other central agencies were not given the opportunity to regulate the plans in terms of export, consumers' demands and consequent technical development of other branches. It is desirable that the state plan in particular efficiently determines quality already in the stage of technical development and that it respect the interests of Czechoslovak national economy to the fullest extent, above all as concerns exports. Our serious problem is that when we deal with the quality of goods our demands are not more scrupulous.

Production of inferior, unmarketable goods is antisocial and cannot be tolerated; we must raise the demand for high quality as one of the basic criteria by which all employees, particularly managers, must be rated.

#### Improvement of Planned Management

Acceleration of R&D program means also overcoming deficiencies in the economic mechanism which seriously hinder improvement of production forces and thus, also better labor productivity. Among the essential prerequisites for greater intensification and particularly for giving R&D a pivotal position in our national economic development are adaptation of the entire planned management system and creation of an economic mechanism which will correspond to higher quality of production and social relations of a developed socialist society. From that perspective we may see the following three most relevant steps.

First, full application of systemic factors in management stipulated already by the 8th plenum of the CPCZ Central Committee.

Secondly, the fulfillment of those political and economic tasks calls for more comprehensive conditions for more intensive implementation of strategic objectives which opened the way for the application of the Set of Measures, specifically for long-range planning, accelerated practical implementation of R&D achievements, and the development of international socialist integration. To meet this goal, all basic areas in the planned management system must be developed and internally correlated for the Eighth 5-Year Plan.

Thirdly, simultaneously with the work on prognoses and basic directions for the socioeconomic development to the year 1995, basic directives for the development of a system for 1990's are being formulated, as we are gradually learning to predict and understand them from the prognoses and long-range projections.

Here again the fulcrum rests on R&D, integration and creativity of our working people. In view of the current knowledge of the principles adopted for the methods to improve the planned management system in the Eighth 5-Year Plan and of their finalization in operations instructions, I should like to mention those which outline the management system in terms of R&D.

The most significant progress must be achieved by improving the planning process on every level of planned management, in every agency and institution of the socioeconomic sphere. First of all, this involves consolidation of long-range

planning from three chronological perspectives: prognoses for R&D and the socioeconomic development for 20-25 years as continuous projects with cycles ending always about 2 years before the next 5-year Plan. Such projects are now being developed under the supervision of the CSAV and SAV which have involved in them all forces of our R&D base as the top-ranking scientific institution cooperating closely with planning agencies and with the commissions for R&D and investment development.

Next to those projects, preparations for 10-year projections are under way; main objectives of the 5-year plans will be derived from them. The state commission for R&D and investment development plays a major role in R&D, in cooperation with planning agencies which coordinate the processing of proposals for basic directions of the socioeconomic development.

Their intrinsic contents include above all R&D directions, marketing outputs and comprehensive programs from which state goal-oriented programs for the 5-year Plans are developed.

And finally, this concerns improvement of the planning process for 5-year Plans, both on the basis of the above-mentioned pre-planning projects and documentation, such as prognoses, long-range projections, etc, and on the basis of specific methodology developed for a medium range 5-year Plan.

This must provide a basis for a situation where the 5-year Plan really becomes a managing plan and where annual operational plans function as increasingly strong control of the 5-year Plans and allow only the most essential corrections, particularly those stemming from foreign economic relations, in the projections of the plan.

In the development of all forms and methods of long-range planning it is above all necessary to consider special priorities, state goal-oriented programs, R&D programs, programs of international socialist integration, and essential investment programs. Next to the principle of long-range planning, it is necessary to underscore the importance of criteria of economic efficiency and the consequent unified concept of the entire system of qualitative indicators, such as the final contribution to society, national income, specification of labor added, profits, profitability, trade, and profitability of foreign currency. At the same time, we intend to introduce challenging relations of world economy in the form of prices, foreign exchange rates and incentives, and thus, by enhancing material values to the highest possible level, the most efficient ways will be sought for our development under challenging conditions. All processes of distribution and redistribution, distribution of investments, new materials, fuels, energy, foreign exchange and wage funds must be subordinated to efficiency ratings and assessments.

All such resources must be channeled on a priority basis to the branches and enterprises of production which achieve higher efficiency; efficiency ratings and assessments must increasingly assume the character of scientific evidence.

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CZECHOSLOVAKIA

CEMA-WIDE INTERNATIONAL DIVISION OF LABOR DISCUSSED

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[Article by Eng Josef Kraus, ScC, and Eng Josef Volosin, ScC, Research Institute for Agricultural and Food Economy in Prague: "Growth of Regional Self-Sufficiency"]

[Text] The Declaration of the CEMA Member Countries, adopted at the conference of their top representatives in Moscow (June 1984) states, "...the political and economic situation in the world affects now more than ever before the interests of every state and nation," and expresses great anxiety that "the threat to peace has increased..." Such circumstances have also diminished the possibilities of resolving such vital problems for all mankind as sufficient food supplies for the growing world population. In conjunction with rising state protectionism which applies various forms of embargo on food and raw materials for food industry procured in capitalist countries, the task to raise regional self-sufficiency of the CEMA countries is becoming far more urgent and significant than ever before. In the class-divided world the achievement of full self-sufficiency is a necessary, reliable and in principle the only strategically effective barrier to all symptoms of crisis which affect the world capitalist system.

In the above-mentioned declaration the participants in the economic conference stressed that "...they regarded the comprehensive development of an agro-industrial complex and cooperation in that area as a task of topmost importance. The CEMA member countries will focus their efforts on increasing their food production by introducing advanced technologies to expand and improve the material and technical base of their agriculture and food industry."

The continuously advancing process of organization of agro-industrial complexes within the framework of individual member countries imposes new demands on the level of international cooperation with distinctive traits of intensified internationalized processes of replacement. First of all, however, it is necessary to set up special systems of intra-state and inter-state control of the above-mentioned processes, which will lead to greater openness of the economies of the member countries and eliminate analogous production with distinctly extensive characteristics of development.

Due to specific idiosyncrasies of the agro-industrial complex and in view of the fact that the CEMA member countries began to develop higher forms of



cooperation in this area later and more slowly than in other sectors of national economy, foreign trade is the main form of cooperation within this complex at this particular time. For that reason this article focuses most attention on foreign trade.

The latest meeting of the CEMA Committee for Cooperation in Planning (January 1985, Prague) underscored the necessity of improving the links between the national economic mechanisms and the international mechanism of integration. There is an urgent need to create special systems for intra-state and inter-state control of the above-mentioned processes also on the level of the agro-industrial complex. That necessity is expressed in individual states in national agricultural policies and on the inter-state level in agreements of the interested states on basic factors of their R&D, economic and investment policies. Intra-regional division of labor, i.e., international specialization, a greater share of mutual deliveries of food and raw materials for food industry, and finally, substantial consolidation of regional self-sufficiency of the whole community will be intensified by the adoption of a joint developmental program for this sector.

However, in the nearest future such long-range global objectives will be influenced by a number of factors of a fundamental character, limiting the space for the further development of socialist economic integration in this area. In the future, up to the year 2000, it will be necessary to accept the fact that supplies of raw materials and food from third countries will continue to play a certain role in food supplies for the population of the CEMA member countries. Furthermore, it may be expected--but only to some extent and on the premise that certain basic conditions are met--that reciprocal trade of agricultural and food products will be expanded. Moreover, it should be emphasized that eradication of difficulties and the ultimate solution of problems stemming from food supplies for the CEMA countries are not a question of the development of agricultural production alone, but their solution is tightly intertwined with other economic sectors, with the industrial base (this concerns the processing, engineering and chemical industries) and last but not least, also with the development of the infrastructure (transportation, storage facilities, etc).

#### Point of Departure in International Specialization

The urgency of the task to achieve regional self-sufficiency in food for the community is particularly accentuated by the fact that due to the aggravated international situation food imports from the capitalist states have encountered in recent years increasing obstacles of a strategic character (embargo on grain exported from the USA to the USSR, restricted food deliveries to the Polish Peoples Republic, the threat of economic blockade of Cuba, the possibility of an embargo on soy exported from the USA to socialist countries, etc). Such factors complicate the economic development of the socialist countries and lead to indirect dependence on capitalist markets in case of food and raw materials for food industry.

The need to provide adequate food supplies by joint efforts is so much more urgent because many member countries are trying to resolve problems of that

sort on their own; in their efforts they are introducing--and even increasing--production even in sectors where the efficiency of investments is conspicuously declining because they are applied in environmental and weather conditions which are less favorable than those of the traditional exporters of agricultural products.

At the 27th CEMA meeting (October 1983, Berlin) it was noted that under the conditions of rapidly intensified economic and political pressures on the part of certain advanced capitalist states the countries of the socialist community find it increasingly necessary to achieve technical-economic immunity. Therefore, the closer the cooperation of the CEMA member countries, the more efficiently will those countries face economic sanctions and thus, the effort to expand the production and trade of agricultural and food products in the markets of the CEMA member countries has become one of the most important directions for coordination of those countries' economic policies.

The fundamental task in coordinating the agricultural policies of the CEMA member countries includes in particular the effort to raise the level of regional self-sufficiency by developing own production and by reducing the dependence on exports of essential agricultural products from the capitalist countries, as well as the effort to expand intra-regional trade of products representing the main branches of international specialization within the CEMA countries. These basic principles of division of labor are closely correlated. In general, main branches of international specialization within the CEMA community include viticulture, cultivation of tobacco, vegetables and fruit in the Bulgarian Peoples' Republic, cultivation of sugar cane, tobacco and citrus fruit in Cuba, livestock and poultry farming and cultivation of hops in the CSSR, cultivation of cotton in the USSR, etc.

The increasingly tense international situation leads to basic realization that the advantages stemming from participation in the process of world division of labor cannot be enjoyed individually, only collectively, with mutually correlated domestic and foreign trade policies of the CEMA member countries vis-a-vis the capitalist market, or vis-a-vis their current or potential partners from the capitalist countries.

#### Generally Defined Goal

In agreement with the long-range goal-oriented program of cooperation in agriculture and food industry, every member state is striving to develop intensive grain and meat production and other vital types of agricultural and food production, in order to satisfy its domestic needs and to accumulate necessary supplies or for export. This fundamental economic goal, which is of enormous political and strategic importance for the CEMA member countries, is aimed at regional self-sufficiency of the countries of the socialist community as a whole in this vitally important sphere of national economy.

Naturally, this does not mean that the CEMA countries are not counting on further participation in international division of labor. Concurrently with the effect of the retardant trends which restrict world trade, the forces emerging in world markets objectively encourage integrational tendencies. In the world market, for example, there appeared significant factors of systemic

goal-oriented nature, related to the expanding practice of concluding international agreements concerning raw materials, stipulating conditions for trade with certain commodities (wheat, sugar, coffee, etc) as well as with organization of various priority markets on the basis of economic integration.

Therefore, from the strategic point of view the goals of joint agricultural policies should be aimed at the selection of efficient cooperation not only as means of dealing with the consequences of lean, unproductive years, resulting in difficulties in the food supply sector; in addition, they should be aimed at one of the underlying factors in the conception of national agricultural policies focused on the achievement of collective self-sufficiency in food for the whole community.

Completed analyses and general world experience lead to the conclusion that the means to a rapprochement in the agricultural-industrial sphere may be a conceptually adopted nutritional policy of the CEMA. It may include main technical and technological, productional, structural and regional aspects of cooperation and may be implemented by means of current economic and planning mechanisms on the basic premise that specific traits of the agricultural-food sphere be observed.

If we go back to the assessment of the standard of food supplies for the CEMA members states in recent years, we must note that despite the sharply higher share of the community of the CEMA countries in the world agricultural and food production over the past 20 years (in 1983 that share amounted to 19 percent in grain crops, 46 percent in sugar beets, 17 percent in meat, 28 percent in milk, and 30 percent in butter), continuous supply of those countries was marked by numerous difficulties and their food production failed to meet their needs.

As noted in the study on foreign trade of the CEMA member countries with agricultural and food products, prepared by the International Institute on Economic Problems of the World Socialist System (MUEP SSS, Moscow 1984), the development in recent years leads to the conclusion that supply of the socialist community as a whole with food of their own production has declined, which undoubtedly increases their dependence on imports if their given standard of consumption is to be maintained. In other words, the growth of agricultural and food production is not in step with the rising food consumption, particularly of animal products. However, not only has the dependence on imports from capitalist markets increased, but exports of agricultural and food products depend on sales conditions of such commodities in nonsocialist markets, because in a number of cases export was imposed. We speak of imposed export because it is indispensable for obtaining free exchange in foreign currency and it takes place in a situation where domestic demand for good quality food, particularly animal products, in several countries is not met with adequate supply, nor are the requirements of appropriate nutritional rations of food covered. For that reason, we may note certain lesser or greater dependence on world capitalist markets in the given areas, determined by the current world flow of goods and by the given price system in world commodities markets.

In the countries of the socialist community problems related to continuous food supplies for the population are regarded as the most urgent task calling for a radical change of the existing situation.

It applies that, next to determinant material problems, comprehensive solutions of problems stemming from the development of the agricultural and food sphere depends on better systemic mechanisms for coordination of agricultural policies of individual countries with a common agricultural policy. One of the most essential factors of common agricultural policies is definition of long-range, relatively stabilized directions for the development of international specialization within the approved developmental programs in order to increase mutual deliveries of food and raw materials for food industry and to coordinate the joint approach of the CEMA community to third countries. A practical step in the given direction involves coordinated procedures in formulating national food programs and their immediate correlations for the purpose of intensified integration within the community. Therefore, it is a matter of joint procedure on the part of the member countries in implementing joint measures promoting intensification of international specialization on a mutually advantageous basis. As regards differences in soil and weather conditions and traditional production, individual countries must endeavor to formulate a mutually complementary structure of production and thereby to determine the priority directions for the development of agricultural and food production in this or that country and for subsequent planned foreign trade.

#### Intensification of Regional Division of Labor

There was hardly any meeting of the CPCZ Central Committee in recent years that would fail to stress the importance of foreign economic relations as one of the priorities, especially as concerns the socialist countries, the CEMA member countries and above all, the USSR. In the sector of the agricultural and food industry complex cooperation in foreign economic relations has certain specific traits which, in comparison with other branches of national economy, offer many advantages as well as pose many problems.

Export of agricultural and food products is important above all for the following reasons:

--the thus far irreplaceable orientation of agricultural and food industry's exports to advanced capitalist states where they help to a significant extent accumulate capital in free exchange;

--advantageous conditions of payments as compared with engineering and investment exports because the method of prompt collection is more prevalent than credits for deliveries. Agricultural exports are characterized by considerable advantages, such as rapid returns in foreign exchange;

--relatively low consumption of imported supplies and raw materials from advanced capitalist countries; analogically, energy consumption in agriculture and food industry is low.

However, agricultural and food products are also characterized by high demands on sanitary and hygienic purity of exports, which is linked with the steadily



deteriorating environment and increasing contents of residual foreign substances in raw materials and foods.

### Open Issues

All considerations about the creation of an import-export structure in this sector must proceed from the premise that the fulfillment of potential export tasks cannot be in contradiction with the need of continuous supplies of essential foodstuffs for domestic markets. This fundamental strategic consideration is extremely urgent because the rising global food shortages in the world offer many prominent capitalist exporters an opportunity to use their available export resources in order to enforce their political aims.

It should be mentioned that at present a whole number of factors fail to intensify mutual exchange of agricultural and food products. Dependence of the member countries on world markets of food and food products is increasing; this decreases self-sufficiency. The imbalance between supply and demand in domestic markets of individual CEMA countries continues and factors encouraging naturalization, contingentation and trade based on convertible currencies are increasing; such circumstances are of an explicitly retardant nature. By the same token, it applies that in the dynamic concept of open economy which meets many important, essential needs of import programs, one cannot ignore the potential joint effect on accumulation of adequate foreign exchange resources by means of efficient agricultural and food exports. If the USSR links deliveries and the steady flow of essential supplies of raw materials and energy with appropriate policies of the member countries in the area of investment programs to create a space for higher deliveries of consumers good products, then this must mean that the task of Czechoslovak exports of raw materials for food industry and of food in this territory is also increasing

All conceptual considerations about the development of international socialist division of labor, up to the prognosis to the year 2000, must proceed from the basic standpoint that territorial orientation of the Czechoslovak agricultural and food complex will gradually shift toward the markets of the socialist countries. In every stage of preparations for developmental programs of cooperation with socialist countries, or as the case may be, in every stage of preparations for coordination of national economic plans, it is necessary to assess all realistic opportunities to cover some of our essential needs with agricultural and food products from the socialist countries. Concurrently with this effort it becomes necessary to offer those countries equivalent means of payment replacing our imports from the free exchange area.

We cannot limit our cooperation to the European CEMA countries alone because cooperation with non-European CEMA countries and with some other socialist countries remains practically unexploited.

### Future Partners

The outlook for the period up to the year 2000 proposes an undoubtedly long-range orientation; the given territorial relations open considerable

opportunities for imports of tropical and subtropical fruits, spices, certain fibers, aromatic essences, essential oils as well as components for fodder mixes (manioc, waste from processing or citrus or other fruits, etc). In particular, considerable useable resources exist in imports of oleiferous seeds, especially peanuts, vegetable oils, fermented tobacco and selected types of subtropical and tropical fruits. In long-range outlooks one cannot omit potential imports of coffee, cocoa beans, seafood, etc, from those territories. Such increased deliveries are determined mostly by the CSSR's participation in the development of production and construction of necessary facilities for processing of a number of products in those countries.

Thus far the CEMA member countries, among them the CSSR, obtained an overwhelming majority of products such as coffee, cocoa, citrus fruit, rice and several other products of the subtropical and tropical areas not by procuring them directly from their producers but through agencies because of the following circumstances:

--trade with those products (bananas, cocoa, etc) is controlled or decisively affected by several international corporations; these products in particular are typical for commodity exchange trading;

--certain products are procured through special trade corporations of the advanced capitalist states which guarantee the required quality and which deliver the products in volumes that could not be obtained from small producers (high transportation and handling costs, etc) and furthermore, their delivery terms are shorter;

--procurement from trade organizations of producers' associations with headquarters in developing countries, which hold monopoly in trading of certain commodities;

--several producer countries have been thus far unable to organize their own trade network.

Direct contacts with appropriate developing countries (producers) for the purpose of improving deliveries would call for special means of transportation (for citrus and other rapidly perishable tropical fruits) and construction of facilities for the processing, improving, storing, for example, of rice, coffee, cocoa, citrus fruits, etc. In view of our needs and of the anticipated interest of other CEMA countries, it is advisable to focus on the following:

--identification of those types of tropical produce for which processing, improving and storage facilities may be jointly built in the nearest future;

--specification of similar developmental programs--such as joint participation of states in the development of sugar and citrus fruit production in Cuba--that may be efficiently implemented, for instance, for coffee, cocoa and other crops (such as manioc).

In every instance the conception of the CSSR's participation in international division of labor should weigh the possibility of territorial shifts of foreign

trade with agricultural and food products to the markets of the socialist countries, with the assumption that such exports will be compensated--also on a long-range basis--with imports of goods of free-exchange categories. Imports, primarily of oleiferous seeds, vegetable oils, fermented tobacco, seafood, cocoa beans and some other items from the CEMA countries or from other socialist countries should be increased and such imports from the non-socialist countries, among other things, should be reduced.

### Resources in Integration

The point of departure to more intensive cooperation of the CEMA member countries in the sector of the agricultural and food industry complex is, among other things, better joint planning which has not yet been utilized to the necessary extent. To overcome the existing shortcomings in joint planning and to develop national agricultural-industrial complexes, it would be advisable to elaborate for the entire community a global food program which will mutually coordinate national agricultural policies with global agricultural policies of the entire community and lead to the achievement of regional self-sufficiency and to the fulfillment of programmatic tasks of individual partial (members;) food programs.

A strategic concept of cooperation in the framework of socialist economic integration must be formulated against the background of the anticipated production structure of the economies in its individual member countries, which shapes their future integration in foreign economic relations from the viewpoint of the commodity and territorial structure and of its extent. From the perspective of long-range planning for the future it is necessary to coordinate the developmental objectives in the area of international cooperation with investment plans determining future production structures. The existing discrepancy of national investment programs poses a serious obstacle to the next step of the processes of integration; the recent session of the CEMA Commission for Cooperation in Planning also noted the inefficient coordination of investment policies.

Conceptually developed agricultural policies should mutually adopt national investment policies in a structure required in view not only of domestic needs of the agricultural and food production complex, but also of the development of international specialization and cooperation as mechanisms leading to better satisfaction of needs which are now in short supply in a given sector. It is imperative to plan a program for international specialization of individual member countries to reduce as comprehensively as possible specific bottlenecks in R&D, capacity supply and mutual deliveries. In the framework of valid principles of cooperation it would obviously be advisable to emphasize the integrator's task and to increase economic pressures to achieve necessary agreements on specialization.

An important requirement for a significant shift in the development of international specialization of the CEMA countries in the production sector of agriculture and food industry is a list of categories of crops according to regions; it will serve as a basis for standardization in the CEMA community. A national and international chart of regional agricultural crops

must be drawn and on the basis of such documentation international specialization and cooperation will be organized; investment should be made only in areas with the most favorable soil and weather conditions where rapid returns on investments may be expected, i.e., in the most fertile lands.

### Specific Proposals

If fundamental progress in the development of mutually advantageous cooperation is to be achieved in the sector of the agricultural and food industry complex, this effort must go hand in hand with an endeavor to intensify information exchange among the member states concerning domestic conditions and measures aimed at higher production. Except for investments in agriculture, nothing much is known about financing methods or subsidies to agriculture for direct or indirect support of the production capacity in individual countries. It is unconditionally necessary to exchange information about the steps taken by member countries in this direction on the national scale and about the method and costs of maintaining their current standard of food consumption.

Specific measures which consider common interests of the entire community must be subsidized with necessary material and financial resources which--as N. Frumkin recommends--may be derived from payments of individual states to a joint fund or from credits granted by the International Investment Bank from a special fund designated for credits in support of developmental programs. Then the credit resources will serve to finance sectors of crop production in which individual CEMA countries will be obligated to specialize.

An efficient profile of specialization of the Czechoslovak agricultural and food industry complex vis-a-vis other CEMA member countries (for example, the CSSR proposed that joint association for R&D and production of technological units in individual sectors of food industry be organized) must be based on thorough research of consumer markets, realistic assessment of sales in appropriately long-range projections, fulfillment of the volume and quality parameters of production on levels comparable with the best in the world (from the perspective of labor productivity, specific consumption of raw materials and energy, etc). Furthermore, it is necessary to expect inevitable redistribution of capital appropriations to those export sectors handicapped by insufficient clarity of systemic nature, particularly in banking and financial relations, economic mechanisms, competence and barriers in individual sectors, organizational and legal regulations, etc. So long as all these vital preconditions, which would simplify approval proceedings in the area of international cooperation and specialization, are not unified, no major progress of cooperation in this undoubtedly useful form of organization may be envisaged. For that reason, no matter how well a proposal of material nature may be formulated, it cannot exceed the competence defined by generally applicable mechanisms, so long as the member countries do not come to an agreement about changing them.

9004

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CZECHOSLOVAKIA

CSSR ENGINEERING EXPORTS TO CEMA COUNTRIES DISCUSSED

Prague SVET HOSPODARSTVI in Czech No 87, 1985 p 2

[Text] In 1984 the CSSR export obligations contained in multilateral agreements were exceeded by more than 260 million rubles.

In 1984 the total exchange of goods with socialist countries exceeded the goals of the state plan by 3.8 points, and the share of socialist countries in the total turnover of Czechoslovak foreign trade also increased (by more than 68 percent in current prices). Among the supply departments, which had the deciding impact on exceeding the index of the growth of exports to socialist countries, were primarily the Federal Ministry of Metallurgy and Heavy Machinery--Branch of Heavy Machinery, the Federal Ministry of General Engineering and the Federal Ministry of Electrical Equipment.

The above mentioned trend toward increased exports and imports showed up in 1984 also in the area of the diversified specialization and cooperation on machinery and equipment production with CEMA member countries. CSSR obligations for exports in the amount of 1,457 million rubles were realized in the volume of more than 1,8 billion rubles and exceeded by a quarter billion rubles. In comparison with 1983 the value of CSSR exports increased by 241 million rubles in current prices, which represents a semi-annual increase of 15.5 points.

The deciding contributors to the all-around cooperation and specialization of production is still provided by international agreements prepared and concluded in the framework of the standing CEMA Commission for Cooperation in Engineering. The parties to these agreements are mostly the production economic units or enterprises of the departments of the Federal Ministry of Metallurgy and Heavy Machinery and the Ministry of General Engineering. In 1984 export obligations contained in 51 multilateral agreements have been met, and the volume of exports already stands at more than 1,5 billion rubles in current prices.

Other contributors to the diversified specialization and cooperation in the production of machinery and equipment in CSSR are the economic production units and enterprises of the Federal Ministry of Electrical Equipment, mainly in the framework of the standing CEMA Commission for Radio Technology and Electronics, intragovernmental commission for cooperation in the area

of computer technology, international economic organizations such as Interelektro, Interatomistrument, as well as the economic production units of the Federal Ministry of General Engineering in the organization for cooperation in the ball-bearing industry. The value of exports realized in these areas reached 300 million rubles in 1984, and the concluded contract commitments were exceeded by almost 50 million rubles.

If in 1983 the total exports of various specialized machinery and equipment reached the value of 1,573 rubles and took a 30.45 percent share of exports of machinery and equipment to CEMA member countries, then in 1984, while realizing exports in the value of 1,814 million rubles, the same share fell to 27.33 percent. The above mentioned statistics indicate that the total exports of machinery and equipment grew faster in 1984 than the volume of exports in the framework of diversified specialization.

A review of obligations accepted and their realization in relation to individual CEMA member countries is given in the following table (statistics in thousands of rubles FCO):

	Agreement Obligations	Realization	Share in Realization in Percent
Total for CEMA in 1984	1,566,878	1,813,889	100
of that			
Bulgarian People's Republic	683,776	61,726	3.40
Cuba	12,553	22,370	1.23
Hungarian Peoples' Republic	60,268	58,824	3.24
German Democratic Republic	209,958	231,278	12.75
Polish Peoples' Republic	180,660	145,161	8.00
Rumanian Socialist Republic	69,584	56,211	3.10
USSR	955,473	1,238,319	68.28

In comparison with former territorial displacement, particularly deliveries made in 1983, the following changes occurred:

- the share of the Soviet Union grew substantially (by almost 6 percent,
- the share of the Polish Peoples' Republic and Cuba increased (by 1 percent and 0.23 percent respectively),
- the shares of the German Democratic Republic (by 5.25 percent), the Bulgarian Peoples' Republic (by 0.6 percent) and the Hungarian Peoples' Republic (by 0.66 percent) decreased.

The largest buyer of Czechoslovak specialized engineering production remains the Soviet Union. The volume of exports grew in comparison with 1983 by 250 million rubles in current prices and actually equals the level of the total increase for the year 1984. From the point of view of the structure of the goods, we can count the following as determining the volume of deliveries:

- TATRA trucks in the amount of 220 million rubles,
- machinery and equipment for the textile industry in value exceeding 250 million rubles,
- also, construction and highway construction machinery, river boats, dredging barges and pumping stations, farm machinery, machinery and equipment for the food industry, hydraulic systems and parts, machinery and equipment for the knitting industry, machinery for the apparel industry, machinery and equipment for the polygraph industry, equipment for communal laundries and cleaning establishments, foundry equipment, spherical ball valves for crude oil and gas pipelines, hydroelectrically powered refineries, equipment for oil refineries, manufacture of ethylene, india-rubber, etc.

The structure of goods in the specialized machinery and equipment exports to other CEMA countries is similar to that of the USSR, but includes in addition farm tractors, ball bearings, machine tool and casting machinery, locomotives, products of medical technology, teleprinters, automobile sub-assemblies and parts, devices for computer technology, passenger and freight railroad cars, semi-conductor and integrated circuit clusters, etc.

In meeting the export commitments in 1984 there were certain deviations in the case of trucks, equipment for processing plastics, hydraulic equipment, locomotives, automobile semi-assemblies and equipment for refining crude oil, caused mainly by changes in the requirements of foreign buyers, time shifts in deliveries for investments, insufficient Czechoslovak manufacturing capacity and innovative requirements.

In 1984 the CSSR export obligations contained in multilateral agreements were exceeded by more than 260 million in current prices, which gives proof of the continued development of socialist economic integration in this area.

CZECHOSLOVAKIA

CUBA, CSSR EXCHANGE GOODS

Prague RUDE PRAVO in Czech 2 Jul 85 p 5

[Article by Eng Stanislav Hlavsa, deputy for Trade Operations, Prior-Prague Department Stores: Our Cooperation with Cuba]

[Text] The cooperation between the CSSR and Cuba has been increasing each year, reaching into an ever increasing number of areas. It is therefore quite logical that the development of Czechoslovak-Cuban economic cooperation sooner or later will have manifested itself in domestic trade. We should add that each year CSSR concludes an agreement with Cuba about exchange of goods in a constantly growing volume.

Lately another form, specific in its own way, was added to the sphere of cooperation, namely, a direct exchange of goods between Czechoslovak and Cuban department stores. Our enterprise Prior--Prague Department Stores, which comprises Kotva, Maj, Bila Labut, Detsky Dum and Letna, with branches in Prosek, Hloubetin and Kladno, has been participating in this exchange to a considerable degree. Yearly retail turnover of over 3 billion Kcs is proof that the Prague department stores serve a significant number of people--approximately 50 million a year. They offer roughly 100,000 kinds of products for sale.

Our enterprise constantly endeavors to make the selections more varied. As one of the very effective ways of widening the range of products we consider to be just this exchange of goods with sister department stores in socialist countries. Already some time ago our enterprise established contacts with 20 department stores in the German Democratic Republic, Poland, Hungary, Bulgaria, Rumania and Yugoslavia. Then another one was added to those--the department store Cubana in Havana.

The citizens and visitors to Prague have become acquainted with the first results of this cooperation in 1983 during the Cuban Days in Kotva. From the very beginning of the sale the event attracted the attention of the buying public. The interest in Cuban foodstuffs, cosmetics, leather goods and souvenir items was such that they were sold out in a very short time.

Last year the Days of Cuba in Maj met with a similar response. In the same year, a sale event Days of Czechoslovak Goods took place in the department



store in Havana in July. The organizational groundwork and the task of maintaining a supply of goods were undertaken by Prior. The event in Havana, as well as similar ones in Prague, contributed to a wider exchange of goods between CSSR and Cuba, and also became an opportunity for publicizing the results of peoples' labor of both friendly countries.

This year the project Goods From The Countries of Our Friends took place, which Prior-Prague Department Stores dedicated to the occasion of the 40th anniversary of liberation. The event was a comprehensive offer of goods from department stores, therefore also from Havana's Cubana, whose selections included various kinds of handbags made of crocodile skins and tortoise shell and suede, bags made of sisal, bast fiber or leather, gift items, a fairly wide selection of toys, ceramics, wicker work, various fashion accessories, etc. Our citizens were also interested in the range of men's and women's ready made apparel, from the standpoint of style as well as price comparisons. We have in mind particularly a wide assortment of men's shirts, ladies' blouses, outer garments made of cotton and linen, and others. In comparison with the first presentation 2 years ago, the volume of Cuban goods offered has tripled, which in itself gives evidence of the success of the project.

12605

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CZECHOSLOVAKIA

CSSR WATER MANAGEMENT SURVEYED

Prague HALO SOBOTA in Czech 27 Jul 85 p 4

[Article by Zdena Vejvodova: "Water Is More Valuable Than Gold"]

[Excerpts] By simply turning the faucet we can enjoy as much water as we want. In our state 1 billion 600 million cubic meters of drinking water are produced and delivered by the public supply system to 75 percent of all population annually. This amounts to 55 cubic meter per second. By daily consumption of 400 liters per capita we are on one of the highest rungs of the European ladder. This does not mean however that we could waste water. We have learned already in school that our rivers flow out of Czechoslovakia. This requires the construction and maintenance of a complex system for retaining the water not only in dam reservoirs 170 of which we have in our country, but also in ponds and soil. And this is only one of the reasons why we must value the water. Other reasons were given to us by eng Eugen Rehor, head of the technical operations department of the Ministry of Forestry and Water Management.

It must be stated at the outset that while the cost of water production more than doubled in the last 30 years, the water and sewage fees paid by the population has remained on the 1953 level. Industry, of course, pays higher fees.

The production cost of 1 cubic meter of drinking water supplied by the public distribution system to the citizens is on the average Kcs 2.10 and the costs of sewage disposal are approximately Kcs 1.25 for 1 cubic meter of waste water, that is the total of Kcs 3.35. The citizens, however, pay less than 25 percent of this amount because the water supply and sewage disposal enterprises charge them only Kcs 0.60 for water and Kcs 0.20 for sewage.

The cost of water production and transportation are as much as five times higher in smaller water supply systems, while in Prague on the other hand--with large scale production of drinking water and its delivery to essentially one big center--the costs are lowest in the entire CSSR--approximately Kcs 1.55.

Consumption of 400 liters of drinking water per capita and day in our state corresponds to the European criteria. Of this quantity the largest proportion--57 percent--is consumed by the population, 27 percent by industry, 13

percent by municipal utilities and 3 percent by agriculture. From the total quantity of water produced 21 percent is lost in the distribution network and house installations.

Production of drinking water increased more than sixfold and in Slovakia more than eighteenfold in the last 40 years. The number of inhabitants supplied from the public water distribution system increased by 6.2 million. The contemporary specific consumption of 400 liters per capita and day has thus tripled since 1945 not only because of better personal hygiene and industrial production increase, but primarily because the constantly improving facilities in the households with hot water supplied by the public distribution system. So long as the citizen has to fetch water from a well one bucket per family member and day is enough. As soon as a household is hooked up to the public supply system the water consumption increases noticeably.

In order to make the drinking water conform to the hygienic standard it is necessary to treat a constantly increasing quantity of raw water. In the CSR for example, over 70 percent of water from the public supply system are treated in more than 400 filter plants today. Frequently these are complex chemical factories in which new technological elements are applied such as fluoridation, ozonization, new types of separation of deposits and other matters which improve the quality of water in order to make it conform to the norm and more tasteful for us. The filter plant at Zelivka whose third section is about to be completed is one of the largest water treatment plants in Europe.

The water supply system for Prague and Central Bohemia kraj naturally is one of the biggest in our country. From the combination of sources--Zelivka reservoir, direct pumping of water from the Vltava [Moldau] at Prague-Podolí, underground sources at Karane-Sojovice and a number of smaller sources--more than 1.6 million inhabitants are supplied with the drinking water. Among other big systems in the CSSR is for example the Ostrava regional system supplying water to 1 million inhabitants, water supply facilities around the Ore Mountains operating as one unified system, and in Slovakia the Hron group water supply system, Kosice supply system and the already built sections of the South Slovak system from the underground sources of Zitny Ostrov.

The figures offer the best evidence that the technical conditions which make the water flow out of the faucet are by no mean simple. The demanding nature, complexity and the extensive scope of water supply facilities is evident also from the length of water supply pipes. It increased fourfold since 1945 and amounts to 58,100 kilometers in the state today. The length of the water supply pipes increased in fact 15 times in Slovakia since 1945. To this we must add 13,000 kilometers of public sections of connections to the houses of which there are 1.5 million.

The condition of the distribution network which in some instances is over 80 years old is the cause of many breakdowns. In Bohemia and Moravia for example, there are approximately 50,000 breakdowns a year or one failure per 1 kilometer of the pipe network. This is the cause of big water losses particularly in such winters as the last one, but necessitates also various regulatory and restricting measures.

The forcing and distributing pipes are included in the overall length. In most instances water is pumped often several times. More than 4,000 pumping stations and over 5,000 reservoirs are in operation in the CSSR. If we take into account also 25,000 kilometers of sewers and waste water pipes we arrive at a respectable figure of approximately 100,000 kilometers of pipelines which are managed by the organizations of public water supply and sewers systems in the CSSR. There are Kcs 2.3 million worth of capital assets per worker which represents a value many times higher than in other sectors of the national economy.

There are, not only in the rest of the world, but also in our country areas which encounter big problems with the sources of quality drinking water, and where the resources and water supply facilities must be expanded or built in a complex way. All this requires big investments and operations funds. It is clear that we must carefully economize the consumption of available water. Industrial enterprises are introducing so-called wasteless or dry technologies, new norms of water consumption per unit of production, repeated use of water particularly for technological purposes and circulation, individual consumption standards are defined with more precision and so on. Nevertheless, the reserves and potential savings still exist. This is borne out by an example from the Ostrava region, where it was necessary to reduce water supply to some industrial enterprises by as much as 50 percent in 1983 and 1984, but the production volume was not reduced.

10501

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CZECHOSLOVAKIA

CONSTRUCTION OF ECONOMIC INDICATORS DISCUSSED

Prague STATISTIKA in Czech No 5, 1985 pp 212-221

[Article by Stefan Schlosser: "A Contribution to the Methods of Computing the Indicators in the Balance of the Social Product and National Income's Production and Use"]

[Text] Introduction

Society's capital replacement--i.e., the incessant renewal of the production, distribution, exchange and use of the [gross] social product and national income [net domestic material product]--may be characterized as the aggregate of mutually interrelated and interdependent processes in space and time. These processes as a whole and in their individual phases--production, distribution, exchange, and consumption--are monitored in the balance of the national economy.

The balance of the national economy is a dovetailed system for the methodical and internally reconciled monitoring of macroeconomic indicators and their interrelations, in analyzing economic development. It is a system of aggregates that trace the rate, macroeconomic proportions, and internal interrelations of the process of capital replacement. These aggregates include primarily the social product, productive consumption, produced national income, nonproductive consumption, and capital formation.

The subject of the national economy's balance is the capital replacement process, and its conditions and results during a given period, on a defined territory. This is a territory with a common economy that develops its own market and uses its own currency, which creates uniform conditions for the economic units operating on the given territory. In socialist countries there is added to this also uniform management of the economy, on the basis of a common state plan.

The role of the national economy's balance is to record the developing economy's real processes and to express them in an analysis that starts out from a system of relationships which in their aggregate reflect especially the level and growth rate of national income.

Every balance of the national economy sums up and mutually compares the produced resources and their use, and brings these two sides of the balance in

equilibrium. Thus it records a basic phenomenon within the economy: the production of certain resources, and their distribution and use. Actually the national economy's balance records development at a certain moment, and the macroeconomic proportions at that moment. But in order to trace this development, in which the individual balance relationships combine and become interlinked, the individual partial balances must be extracted from the process of development and presented in their static state. Thus the national economy's balance is an abstraction in a sense, but an abstraction that is very real. This is because the entire process of capital replacement consists of a series of mutually interdependent but relatively independent balance relationships, and also because the static state is merely a given moment within the entire process of economic development.

These properties of the national economy's balance must be understood to avoid mistakes in absolutizing them, and to recognize behind the economic proportions expressed in the balance their interrelations with all the proportions in the national economy.

#### Economy's Division Into Two Spheres of Activity

The diversity of the different types of economic activity may be reduced to two basic spheres: the productive sphere and the nonproductive sphere. The need to distinguish between the productive and nonproductive spheres of economic activity stems from the very essence of the Marxist-Leninist doctrine of social reproduction [capital replacement]. The nature and results of labor in the two spheres differ significantly.

The social product and national income are produced only in the sphere of material production, and only here can there be primary distribution of national income. Only the workers of the productive sphere produce by their labor material resources, in the form of producer goods and consumer goods, and only they create new value.

A feature common to all branches of the productive sphere is that the material product--i.e., reproducible material resources--is produced (made, transported, stored, maintained, distributed and exchanged) in them.

The result of activity in the sphere of material production is the sum total of produced material resources, which usually enter into economic circulation. If sold, they acquire a price that in the aggregate expresses their value. The social product's material essence is formed primarily in industry, construction and agriculture.

Other branches of the productive sphere also create or at least realize value, by transporting the products to their destination, storing and distributing them, and modifying them for further use.

The social product's value thus comprises the labor expended in the actual productive branches, plus the transportation and trade markups.

The branches of the nonproductive sphere do not produce material resources, but their activity aims to provide for the population nonmaterial services that

supply personal and public needs. In the course of their activity directed toward satisfying the needs of the population or of entire society with services of a nonmaterial nature, the nonproductive sphere's workers nonproductively consume material products.

#### Assessment of the Indicators of the Social Product's Production and Use

Real economic relations are taken maximally into consideration when computing the indicators of the social product's production and use. Therefore the computations are based first of all on the actual prices at which the products are sold. Only in this form does the national economy's balance provide a true numerical picture of the entire course of the capital-replacement relations among the individual divisions, exchange and consumption. All items within the social product's production and use are computed first of all at current prices, and this is regarded as the basic computation.

The social product is valued at the prices of final sale. These are most often the wholesale prices of products intended for productive consumption or investment, the procurement prices of farm products, the retail prices of products intended for nonproductive consumption, the terms-of-delivery prices in the case of exported products, and the purchase prices of imported products. It is evident already from this incomplete listing that one and the same product (coal, for example) can be valued at different prices depending on its intended use and origin, even if the quantity of socially necessary labor expended for its production is the same in each case.

Thus the price of final sale may include, in addition to the production and circulation costs and profit, also turnover tax or the difference between the f.o.b. border price and the domestic wholesale price; and the profit may be influenced by whether the delivery was for export or for the domestic market. The price is the one that the customer pays. It may not contain a subsidy on sales, nor a premium to the procurement price, because these amounts are paid from the state budget or by the supervising agency, and not by the customer.

The output that has not been sold is valued at the accounting price at which it is carried, for example, on the organization's books (work in process and finished products usually at their production cost). Products that are not invoiced are valued at the average sales prices of similar products.

The gross outputs of the productive sphere's individual branches express their contributions to the produced social product. Gross output in the basic productive branches is expressed essentially in the price at which the products were sold, but it includes turnover tax as well if it is collected, for instance, also in the subsequent phases of the given products' circulation. In transport and communications, the rate schedules express the price of their services. In the branches of circulation, gross output is expressed as the trade markup--i.e., the difference between the sales and the purchase price--but turnover tax and the cost of hired transport are excluded.

Productive consumption is valued at the prices producers actually pay for the products, i.e., at the sales prices. Most often these are the wholesale prices

that in some cases include turnover tax. If the products for productive consumption were bought retail, then the retail prices are used as the basis of valuation. According to the methods now used, imported products are included in productive consumption at their purchase prices.

A definite exception to the above concept is the valuation of the productive consumption of the procured farm output whose procurement is subsidized. Agricultural producers usually get higher prices for their output than the prices at which the procurement organizations value their inventory, which most often means the wholesale prices. The difference is paid from entire society's resources. It is not included as a negative factor in the trade markup on the procured farm products, but is taken into account only in the productive consumption of farm products. This is mostly productive consumption in industry, and to a lesser extent the farms' productive consumption of unprocessed farm products or even of industrial products.

The productive capital assets' gradual wear during production is expressed in the amounts of depreciation charged by the organizations that depreciate their capital assets. These amounts depend on the capital assets' valuation and the depreciation schedules employed.

Average sales prices are used to determine the value of unsold products that enter into productive consumption.

Thus the process of capital replacement is expressed in the balance of the social product and national income's production and use first of all in terms of the actual prices at which the products were sold or paid for. However, actual prices change over time in the same way as other economic indicators do. The development of prices affects primarily the economic indicators that are aggregates of utility values, and also other indicators such as wages, enterprise incomes, profits, state revenue, etc., in part by influencing their purchasing power that leads to differences between their real and nominal values, and in part by directly influencing their magnitudes.

Over a longer period of time, a comparison of the indicators in the balance of the social product and national income's production and use at actual current prices does not reveal the real growth because such a comparison is distorted primarily by price changes. Hence it follows that the balance's indicators must be expressed also in terms of comparable prices that remain constant over a certain period. This is necessary to make the data mutually comparable, and to enable them to express the actual development of the macroeconomic indicators' physical volume.

The overall development of prices and the influence of price changes on the proportions of the social product and national income's production and use are monitored with the help of the method of balancing the volumes of price differences. This is a tool with which price movements are related to a specified constant base period, and all price changes in the national economy are balanced.

The balance of price changes is an integral part of the national economy's balance and is included in the set of tasks and procedures for constructing the



national economy's balance. This element represents the consistent application of the balance method to deflating current prices into comparable constant prices and contributes to the construction of a system of price and quantum indices.

This article does not undertake to describe in detail the techniques of balancing the price changes in the individual areas of the prices' application and the differences between the current actual prices and the comparable constant prices, nor how the price changes and price differences are projected into the production of resources within the productive sphere's individual branches, and into the produced resources' use by its directions or, in the case of productive consumption, also by the productive sphere's individual branches, etc.

The purpose of this brief comment on comparable prices has been merely to call attention to the problems involved in converting the balance's indicators from current actual prices into comparable constant prices.

#### Social Product and Its Value Components

The result of economic activity in the productive sphere's branches is the social product, the sum total of the produced material resources that usually enter into economic circulation. If these material resources are sold, they acquire a price that in the aggregate expresses their value.

From the viewpoint of value, the social product consists of the value transferred through the consumption of producer goods, and of newly created value. In terms of physical content, the social product comprises producer goods and consumer goods.

The social product may be characterized as the aggregate of the gross outputs in the branches of the sphere of material production, and that is how its production is computed in practice.

The procedure for constructing the indicator of gross output is not uniform in the individual branches, especially in terms of reporting the stage at which the products enter into economic circulation.

Industry uses the enterprise method to compute gross output, which means that double counting within the enterprise is excluded. Construction employs the branch method, which means that subdeliveries between construction enterprises also are excluded, and construction's gross output comprises the products and services that are intended to be sold by the branch. But the gross farm output includes also products that are returned into production as producer goods for productive consumption, in the form of intermediate product. Gross output in freight transport and the productive part of communications is represented essentially by the proceeds from their services; and in the branches of circulation, by the trade markup that in the case of foreign trade includes also the differences between the f.o.b. border prices and domestic wholesale prices. Gross output in the other productive branches essentially equals the proceeds from the sale of their outputs.

From the fact that here we are simultaneously dealing with the aggregate of material resources produced during a given period it follows that we may include in the computations only the outputs that are of a material nature. Which means that we have to employ the method of so-called clean branches, i.e., to distinguish the productive activities from the nonproductive activities within the same enterprise. For we cannot include in the social product the outputs of nonproductive activities, not even when they are conducted by productive organizations. On the other hand, we have to include in the produced social product also the productive outputs of nonproductive organizations: the outputs of their ancillary and supplementary operations, for example.

A large part of the social product's resources is returned into the production process and consumed, onetime or gradually.

The consumption of raw materials and goods in process is onetime and complete. The consumption of plant and equipment is gradual and partial. The producer goods consumed in producing the social product constitute productive consumption. The value of productive consumption is transferred to the value of the products. The products that enter into productive consumption may come from the current year's output, from imported material output, or from the initial stock of producer goods in the form of current assets and capital assets. Productive consumption must always consist of goods or services that are a part of the social product.

In the same way as the produced social product, productive consumption is monitored by individual branches of the productive sphere. The stage at which the products' entry into productive consumption is reported depends on what method has been used to compute gross output and therefore differs by individual branches of the national economy's productive sphere.

In industry, the enterprise method is used to compute productive consumption, and thus double counting within the enterprise is excluded. Essentially productive consumption here includes, besides the wear of capital assets, only the purchased raw materials and goods in process that are charged to primary (external) costs under the present methods.

In construction, subdeliveries of construction work are included neither in the gross output nor productive consumption. However, the capitalization of materials is not excluded because it is assumed that this involves transfers of products from industry to construction.

In agriculture, however, productive consumption includes the consumption of not only the purchased producer goods, but of the farm's own intermediate product as well, for feeding, bedding, seeding or fertilizing, and also of eggs for hatching and of starter pigs for hog production.

In the branches where the actual domestic circulation of merchandise takes place, the costs of hired transport are excluded from the computation of the trade markup and from the material costs as well.

The other productive branches exclude from their productive consumption the payments for collected scrap, in the same amount that is excluded from the gross output's computation.

The so-called method of clean branches is used in determining productive consumption as well. Therefore productive consumption cannot be equated with the total material costs of the productive sphere's organizations that conduct also ancillary nonproductive activities. On the other hand, the nonproductive sphere's organizations undertake also productive activities on a smaller scale, and the material consumption in the course of these activities is likewise productive consumption.

Aggregate productive consumption within the national economy is determined as the sum total of the material costs within the productive sphere's individual branch activities.

From the produced social product's value it is necessary to deduct first of all the value of productive consumption. The remainder is produced national income.

Thus produced national income is that part of the social product which remains after repaiding the producer goods consumed in the course of producing the social product and which embodies the newly expended labor.

In practice, then, produced national income is computed by subtracting productive consumption from the produced social product. This applies also to the productive sphere's individual branches where gross output less productive consumption equals net output. The sum total of net outputs in the productive sphere's branches equals aggregate national income produced.

The outlined method of computing produced national income is known as the production method, and specifically it is the one used in constructing the balance of the social product and national income's production and use.

Although produced national income is one of the most important macroeconomic indicators of the physical balance, it is essentially a value indicator. Produced national income does not actually assume the form of a certain volume of material resources. While the social product and productive consumption can be defined as a complex of certain utility values, this is not true of produced national income. Only consumed national income assumes the form of a set of material resources.

However, produced national income may be regarded as the sum of two value components within the social product: of wages paid to direct producers, and of the surplus product that belongs to the owners of the producer goods. Produced national income thus appears as the sum of the population's primary incomes and society's primary incomes, and it is subdivided into these primary incomes in the process of its production.

This method of computing produced national income is called the income method, and it is the one used to construct the indicators of the summary financial balance in the phase of primary distribution.

Produced national income in its physical form comprises the entire quantity of consumer goods produced in the national economy and intended for satisfying the needs of individual producers and entire society; furthermore, that part of the produced producer goods which is left over after replacing productive consumption and which is intended for the expansion of production. But produced national income in its monetary form simultaneously appears as incomes distributed to the workers of the productive sphere's branches (distributed personal incomes), and as society's net income (distributed social income).

Construction of the balance of the social product and national income's resources and use implicitly includes also another method of computing produced national income, namely the use method. If from both sides of the basic equation:

$$\text{social product's resources} = \text{use of social product's resources}$$

we subtract import and productive consumption, we obtain the following new equation:

$$\begin{aligned} \text{produced national income} = & \text{nonproductive consumption} + \text{capital formation} + \\ & + \text{replacement of material losses} + \text{export less import.} \end{aligned}$$

Wages and other personnel expenditures, financial costs, profit, turnover tax, and the differences between the prices f.o.b. border and the domestic wholesale prices are essentially included in the net output of each branch, and hence in produced national income. Depending on how the indicators of social product and productive consumption are constructed by branches, produced national income contains other components as well. According to the present methods, for example, the net output of foreign trade includes the difference between the price surcharges and discounts on imports of capital goods; the net output of construction includes the obligatory payment for the permanent diversion of farmland to other use, etc.

The indicator of produced national income is one of the most frequently employed macroeconomic indicators. By expressing newly created value, it characterizes a country's economic potential. The production of national income provides the prerequisites for nonproductive consumption and capital formation, and therefore it is the main source for raising the population's living standard and developing the national economy.

Price peculiarities strongly influence the evaluation of national income's branch structure. While aggregate national income produced may correspond to newly created value, this value is realized in the net outputs of the individual branches differently, depending on how prices are deflected from value in the gross outputs of the individual branches and in their productive consumption. For example, practically the entire turnover tax is included in the prices of industrial products, especially of industrial consumer goods, although it is obvious that often the value created by the farm output and the output of heavy industry is realized only in these final prices.

Therefore the shares of the individual branches' net outputs within aggregate national income produced will not necessarily agree exactly with their shares of newly created value.



## Use of Social Product's Resources

Consumption is the final stage in the process of capital replacement. We distinguish productive consumption, in which material products re-enter the next cycle of the capital replacement process in its production stage and their value is transferred into the value of new products; from nonproductive consumption, through which material products leave the process of capital replacement.

Nonproductive consumption is a prerequisite for the existence of people, and it is also an essential factor in providing nonmaterial services for the population and for society as a whole. Only consumer goods enter into nonproductive consumption.

A part of the social product's resources is not consumed in the same period in which they were produced; together with the unconsumed products from preceding periods, it remains available for the capital replacement process in the next period. In value terms it represents an increase of the produced material resources and constitutes capital formation. Both producer and consumer goods are accumulated in capital formation: the producer goods re-enter the next cycle of the capital replacement process in its production stage; the consumer goods are accumulated when the process of consumption is deferred or when it occurs through the gradual wear of nonproductive capital assets.

A part of the social product's resources serves to replace the material losses of the capital from preceding periods or in the current period's production. The use of resources to replace losses does not increase the stock of capital but compensates for its decline.

Finally, a significant proportion of the resources is used for export, which first of all defrays the value of the imported output. If export is less than import, it means that our national economy has more disposable resources for domestic use than what was produced during the given period. But if export is more than import, domestic use of the produced social product must be reduced by the difference between export and import. The export surplus over import is used for redistribution payments to foreign countries.

If from the social product's resources we exclude their use for productive consumption, export and the replacement of losses, then we obtain the spent national income, i.e., spent domestically for nonproductive consumption and capital formation.

Nonproductive consumption is determined as the organizations' material consumption for nonproductive purposes, and as the population's material consumption.

The consumption of organizations and institutions is also known as public material consumption. It is determined in the same manner as productive consumption, except that payments for the communications services supplied to the nonproductive sphere are payments for services of a nonproductive nature and are not a part of material consumption.

Public material consumption is subdivided into the consumption of institutions providing services (predominantly for the population) and public consumption

(of society as a whole), in a breakdown by the branch activities in which this consumption occurs.

In comparison with productive consumption, nonproductive consumption contains a larger share of consumption by budgetary organizations, and of the imputed wear of capital assets that are not depreciated. Also the consumption supplied as cultural and social services is usually nonproductive consumption.

The aspect of ultimate incomes is the criterion for distinguishing public material consumption from personal consumption. Public material consumption is defrayed from the incomes of organizations; and personal consumption, from ultimate personal incomes.

The population's personal consumption accounts for the largest share of nonproductive consumption. It occurs mainly through purchases of goods and services of a material nature, in part without cash within the framework of consumption in kind, and also as the wear of the privately owned housing stock.

The four main components of personal consumption are: (a) purchases in stores and from artisans; (b) purchases in the farmers' market; (c) consumption in kind; and (d) other personal consumption.

Purchases in stores and from artisans include particularly that part of the retail turnover which consists of consumer goods and services of a productive nature for the population. Furthermore, they include purchases of similar goods and material services of industrial or agricultural origin, from organizations of the local economy and from producer cooperatives.

Purchases in the farmers' market include only purchases of goods for nonproductive consumption, from agricultural cooperatives, private farmers, and the owners of household plots.

The main component of consumption in kind is the consumption of their own produce by private farmers and households. Another component of consumption in kind stems from wages in kind if paid in the form of products. Finally, consumption in kind includes such additional components as, for example, that part of the retail turnover which covers the discount on bread in rural areas, the rebate on admission fees, etc.

Other personal consumption comprises the imputed wear of privately owned nonproductive capital assets, including the book value of scrapped assets; furthermore, the nonproductive consumption of electricity, water, gas, heat, building maintenance and freight transport services, if paid for by the population, whether provided by socialist organizations or by private artisans, private carriers, etc.

The unconsumed part of national income spent domestically is capital formation, which represents the physical addition to the book value of material assets.

The four components of capital formation are as follows:

- a. Increase (+), decrease (-) of the book value of capital assets;
- b. Increase (+), decrease (-) of capital construction in progress;

- c. Increase (+), decrease (-) of current assets and inventories; and
- d. Increase (+), decrease (-) of material reserves.

The first two components concern the process of capital construction. Since the introduction in 1967 of invoicing for construction items, a part of the construction work in place and deliveries for investment projects is financed at the supplier with the installments (earlier, with the advances) from customers. This part is the property of the supplier and ought to be included in the supplier's current assets as noninvoiced work in progress.

On the other hand, the intended use is evident from the principal directions of the construction work in place and deliveries. In the breakdown of capital formation within the balance of the social product and national income's resources and use, therefore, the increase in noninvoiced construction work and deliveries in progress, together with the increase in (unfinished) investments, is included in the change in the stock of capital construction in progress.

The change in the stock of capital assets is determined from the balance of capital assets at their book value, as the difference between the closing and the starting stock. From this difference we subtract the changes in valuation, and the addition of capital assets due to the capitalization of the completed major road repairs financed from noninvestment outlays for maintenance.

The main herd, too, is included in the stock of capital assets.

The change in the stock of capital construction in progress is recorded as the difference between the closing and the opening state of the investment account in the organizations' balance sheets; furthermore, as the difference between the closing and the opening stock of noninvoiced construction work and deliveries in progress that the economic organizations report in their profit and loss account; and to these amounts is added an estimate for the projects under the community self-improvement program.

The change in the stock of current assets, inventories and reserves ties in with the monitoring of inventories as reported in the organizations' balance sheets. Here from the closing and the opening stock it is necessary to exclude the stock of noninvoiced construction work and deliveries in progress, and the stock of the main herd. The stock of gold, too, is included in the inventories.

For the private farms and household plots, the change in the stock of intermediate product (as the difference between the produced and the consumed intermediate product) and the change in the stock of feeder livestock are computed into the changes in the stock of current assets and inventories.

A proportion of national income must be expended to replace material losses. These losses are determined in a breakdown by four components:

- a. Shortages and damage;
- b. The book value of the scrapped capital assets of organizations that do not depreciate their assets;

- c. Definitely discontinued investment projects; and
- d. Storage losses in farming on private farms and household plots.

The shortages and damage are obtained from the organizations' balance sheets. The shortages and damage that exceed the established norms are losses; up to these norms they are included in material consumption.

The book value of scrapped capital assets at organizations that do not depreciate their assets is computed when constructing the balance of capital assets. At organizations that depreciate their assets, these amounts are included in material consumption, together with the annual depreciation charges.

The definitely discontinued investment projects are determined from the annual statements.

The storage losses are determined in the course of constructing the farm output's balance. Livestock losses are not included but are regarded as a reduction (negative component) of the output, since the lost livestock cannot be included in the closing stock, and hence in the increase either.

#### Conclusion

The methods and procedure that the Federal Statistical Office has published for constructing the social product and national income's balance describe in detail how to compute national income and its components.

In addition to the basic method of computing the indicators for the balance of the social product and national income's production and use as described above, a method has been developed--in the agreement with the State Planning Commission--for converting the material balance's indicators into the so-called gross method. The first computations for conversion into this method were performed at the beginning of the 4th Five-Year Plan, for the internal use of Czechoslovakia's central planning agencies and for balancing gross investment within national income's use. Such indicators as "gross national income produced," "gross capital formation," etc. came into use. Originally the central planning agencies' internal indicators used primarily as tools in allocating material resources for investment and nonproductive consumption, they have been recomputed in recent years in statistics as well. However, it should be pointed out that the material balance method described on the preceding pages is based on the Marxist theory of expanded reproduction, according to which only the indicator of produced national income is the aggregate characteristic of the newly created value in a given period; it is used traditionally in this sense not only in the socialist countries, but practically everywhere in the world as well. For so-called gross national income cannot be applied to newly created value when this is the value added by processing, i.e., it includes the value transferred by the wear of productive capital assets. So called gross national income actually overstates to some extent the achieved results because it includes also a part of the output from preceding periods, and at present this part is growing at a faster rate than newly created value.



The specific Czechoslovak methods of preparing the national economy's balance have undergone overall development, especially the method of gathering data and constructing the balance's basic indicators in a breakdown by individual branches and sectors of the national economy. Over the years the methods have been perfected systematically, and the data base has been improved without the need of special statistical surveys. The present Czechoslovak balance methods and the practical construction of the balance's indicators offer an efficient way of gathering data for preparing the national economy's balance and, from the viewpoint of the needs of economic analysis, a wide range of indicators of the basic economic relationships and proportions.

Knowledge of the economy's real state and development, and of the relationships between economic quantities, is a prerequisite for placing on a scientific basis the management of the economy, and of the complicated phenomena and processes that are taking place at present. This knowledge must be founded on objectively established facts, and on their analysis with the help of a carefully constructed system of statistical indicators, at the peak of which is the national economy's balance.

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GERMAN DEMOCRATIC REPUBLIC

EXPANSION OF BERLIN RAILWAY STATION INITIATED

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 10 Jul 85 pp 9-10

[Article by Peter Jochen Winters: "The Front Sections of the Ostbahnhof Have Already Been Demolished"]

[Text] Berlin, 9 July--East Berlin, the "capital of the GDR," is now to be graced with a showcase main railroad station. The plans which had been announced for the period of the 5-year plan from 1976-1980, but which were not realized, are now to become reality: the expansion of the Ostbahnhof in the East Berlin borough of Friedrichshain to become the "main station of Berlin." The work is supposed to be completed by 1989. Construction work began in May. The front sections of the Ostbahnhof have already been demolished, and a deep trench has been excavated, which is to receive the foundations for the new entrance hall. By 1987, when separate celebrations will be held in both parts of the former capital of the Reich to mark the 750th anniversary of Berlin, the new entrance hall is scheduled to be completed in the first stage of construction, and at the same time the station is to be linked to the electrified network of the GDR's Reichsbahn.

Currently, 164 long-distance trains, postal trains and baggage trains are despatched each day from the Ostbahnhof, whose expansion to a central station is taking place while traffic is running. In a 24-hour period, an average of 16,000 long-distance passengers board and leave trains, and on peak days the number can rise to as much as 40,000. To this can be added between 35,000 and 50,000 S-bahn passengers. The Brockhaus city guide, "Berlin--Capital of the GDR," states that the "Ostbahnhof is the central station for the arrival and departure of all high-speed rail coaches, express trains and through trains to and from the socialist countries, to and from Scandinavia and is a stop for through trains linking European capitals with the socialist countries." In other GDR literature the Ostbahnhof is described as the "turntable of Berlin in international railroad traffic."

The new long-distance station Berlin-Lichtenberg, which has been connected to the electrified rail system of the GDR Reichsbahn since 1 October last year, is regarded as the turntable of the GDR's domestic rail traffic. In a 24-hour period, 240 trains are despatched from Berlin-Lichtenberg. Each day about 90,000 travelers use the station. Added to this, another 80,000 passengers arrive at Berlin-Lichtenberg.

This distribution of rail passengers between Berlin-Lichtenberg and the Ostbahnhof will remain unchanged once the Ostbahnhof becomes East Berlin's main station as a result of the construction to renovate and expand it. East Berlin says that the expansion of the Ostbahnhof into a modern central station --the first one since there has been a railway in Berlin--also acknowledges the fact that numerous foreign delegations and deputations arrive at and depart from the station. They range from official state visits to "friendships trains" to the Soviet Union and other "fraternal countries." There can be no doubt: the self-assured GDR wants to be able to offer a "red carpet welcome" to its international guests, not only at Schoenefeld airport but, in future, at the Ostbahnhof as well. The new entrance and reception halls, three floors high, is being designed accordingly. Linked to the main hall, with its ticket windows, there is to be an arcade with a newspaper stand, a bank and various shops, leading to "gastronomic establishments" with seating for 180 persons. The gallery floor above will contain a travel agency, a movie theater showing newsreels and short features, a hairdresser's salon, waiting rooms and additional restaurants with a total of 300 seats. Passengers will be able to reach all floors and the platforms by escalator. The new entrance hall, with its aluminum and glass facade, is to determine the appearance of the 300-meter long station. Additional despatch, service and function rooms will be accommodated in a six-story annex. The two sheds of the station and the five platforms with a total of nine tracks are being remodelled, with a change in the previous layout of the tracks.

In East Berlin, where the concept of "world class" is rapidly coming into use to describe the main station, it is stated that the planned renovation and expansion is the most extensive in the 143-year history of the station. A first station was constructed on the site of the present Ostbahnhof in 1841-42 for the Berlin to Frankfurt/Oder line as a terminus in the classicistic style, on the same level as the adjoining streets. Initially it was called the Frankfurter Bahnhof and, following the extension of the line to Breslau in 1846, it was renamed the Niederschlesischer [Lower Silesian] Bahnhof. Because of increasing traffic, a new building was constructed between 1867 and 1869, likewise a terminus. A covered structure, spanning five tracks and two side platforms, was built from 455 tons of wrought iron and 19 tons of cast iron. The iron structure was given a clinker facing in the Romanesque style. At this terminus the locomotives were not rotated on the customary turntable, but with a sliding platform. In 1874 the station was converted to a "viaduct station," ramps were put down for the tracks, and the platforms and tracks were raised 6 meters. The old station shed allowed this to be done without any difficulty and remained unchanged. In 1879-80, in conjunction with the laying out of the Stadtbahn, the terminus was converted into a through station--which the Ostbahnhof has remained until today. A second platform shed was constructed on the north side for through and local traffic, which accommodated the Stadtbahn in 1892. Long-distance traffic was handled in the old part. Parts of the reception building and the glass roofs of the two side sheds of the station, which was now called the Schlesischer [Silesian] Bahnhof, were destroyed during World War II. The reception building was rebuilt in a simpler style after the war. The station has been known as the Ostbahnhof since 1 December 1950.

The announcement by the East German authorities that the Ostbahnhof was being expanded into a main station had given rise to fears in West Berlin that the GDR's Reichsbahn was planning to disconnect West Berlin from the international rail network. This suspicion was fed by the fact that, with the change in the schedule on 2 June this year, some international Reichsbahn trains are departing from the long distance Berlin-Lichtenberg station, a fact which is explained in East Berlin as being due to the start of construction and is described as being "temporary." However, the "Special Interest Group for the Railroad, Local Transportation and Passengers Concerns of West Berlin (Igeb)" doubts that Berlin-Lichtenberg will remain a temporary arrangement for these trains. It suspects moreover that the main station will become a terminus in its operations, and the Reichsbahn will no longer use the line that goes by way of the Stadtbahn as far as the Zoologischer Garten station in West Berlin for these trains, but will take them--for example, the Moscow -Paris express--on the railroad outer ring around Berlin to the Ostbahnhof, without touching Berlin. As it is doing with the new main station in East Berlin, the GDR's Reichsbahn could set up a second terminus in West Berlin, in which all trains from the FRG would terminate, according to the Special Interest Group, and it points to the fact that there are plans in the Senat and the Federal government for a rail terminal in Charlottenburg. With its construction, there would be nothing left but corridor traffic with the FRG; West Berlin would be finally cut off from the international rail network.

At the railroad commission in East Berlin apprehensions of this nature are rejected as unfounded. All trains in the future going in the direction of the FRG, including the new international trains, would travel from the new main station by way of the S-Bahn line and the Zoologischer Garten station, that is, by way of West Berlin. However, according to the GDR's plans, the electrification of their line is to stop on the west side of the main station. Trains traveling to the West would consequently have to switch engines. There is no program by the GDR for the further electrification of the S-Bahn line to and through West Berlin. The Reichsbahn says that negotiations on this subject are needed with the Berlin Senat. But this means: if West Berlin wants to remain linked to the international railroad network for the foreseeable future, then the Senat and the Federal government, whether they want to or not, will have to contribute something toward the electrification of the railroad line leading through West Berlin and operated by the GDR's Reichsbahn --quite independently of any considerations concerning the electrification of transit lines between Berlin and the FRG.

9581

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POLAND

# MINISTER DESCRIBES PLANS FOR REFORM PROGRESS

Warsaw RZECZPOSPOLITA in Polish 13-14 Jul 85 pp 1, 2

[Interview with Prof. Zdzislaw Sadowski, deputy government representative for the economic reform, by Bozena Papiernik: "Strengthening the Course, Improving What Is Necessary"]

[Text] The process of self-evaluation and of evaluating the introduction of the economic reform, conducted before the National Party-Economic Council in Poznan and at the council itself, yielded a bountiful crop in the form of conclusions and proposals, which will be used in the system discussions about the years 1986-1990. At the request of a journalist from RZECZPOSPOLITA, Prof. Zdzislaw Sadowski, the deputy government representative for the reform, spoke about the progress of the work on the council's output and about the nature of the improvements in the system for the next 5-year plan.

[Question] Let us begin with the most important thing: what is the quintessence of this great debate about the reform, consisting of the council in Poznan and the entire discussion preceding it?

[Answer] The central thesis of all the assessments and conclusions is the thesis that the reform is on the right path. Although we still do not have a healthy economy, we have made considerable progress. The direction of the reconstruction of the economic system is correct, and it should be continued. Today the question is strengthening the basic principles of the reform, which were outlined in the resolution from the Ninth PZPR Congress--and thus the principle of the autonomy of enterprises and their financial responsibility for the results achieved, and the principle of self-government, including both the self-government of work forces and territorial self-government. At the same time, in accordance with the assumptions and directions, it is necessary to strengthen and improve the system for the strategic planning and guidance of the economy.

[Question] It is worth while at this point to clarify certain disagreements encountered in current views about whether the desire to strengthen the principle of the central management of the economy was in conflict with the principle of the autonomy of enterprises.

[Answer] The concept of the economic reform is based on combining these two principles. Some people incorrectly interpret the idea of strengthening the central management, thinking that this has to do with a return to the command-distribution system and hampering the enterprises again with special directives. Essentially, this does not have anything to do with what is being done or with what we are trying to do. A strong central management is needed by the economy, because only such a management can implement the development strategy for the entire economy, coordinating different group, branch, and professional interests, in the name of the good of the whole, and effectively oppose various pressure groups. The management function of the central government also includes effectively influencing the enterprises, above all by means of economic methods, indirect ones, but other methods as well. For examples, bans on the production of products that are too materials-intensive or too energy-intensive, as well as bans on the use of obsolete technologies, are and should be used. It would be absurd to consider them inconsistent with the reform.

[Question] How far has work gone on the conclusions and proposals presented before the council and at the council in Poznan?

[Answer] All of these comments and proposals were examined thoroughly, analyzed, and taken into consideration as much as realistically possible. In the course of coordination among the ministries, a document was drawn up that deals with strengthening and developing the system for the functioning of the national economy for the years 1986-1990. In the near future, it will be presented to the Council of Ministers for adoption, and it will be the basis for draft legal regulations that will be sent to the Sejm; it will also be the basis for further work by the government.

[Question] One can thus already speak of the central motifs of the proposed system changes. What will they be like, generally speaking?

[Answer] The proposed courses of action take into account three types of modifications. In the first place, there are drafts of completely new solutions; in the second place, the removal of some temporary regulators that have fulfilled their tasks and are no longer suited for the present conditions and needs of the reform; and in the third place, modifications of the solutions that have shown shortcomings and require improvements. The burden of the PFAZ [expansion unknown] might be an example. Although it has been criticized a great deal, this instrument has played a positive role, presenting a barrier to an increase in wages that would be excessive in comparison with the results of production and the possibilities for supplying the market. It is not fulfilling its role in a satisfactory manner, however. Above all, it needs to be freed from excessive reductions, which in practice have been associated with its operation. For this purpose, it is necessary to change the formula for this instrument.

[Question] The call for stabilization of the system solutions was probably the main call in the debate on the reform, presented by the enterprises most often and with the most emphasis. How was it treated in the updated system? In view of the many unknowns, will it be possible to stabilize the solutions of the reform for the entire 5-year period?

[Answer] We are doing a great deal to satisfy this call to the extent to which economic realities will permit it. Stabilization of the solutions is necessary in order to make it possible for enterprises to extend their time horizons. Only activity directed toward the long term can make it possible for enterprises to be extensively involved in innovative undertakings, in technical, economic, and organizational progress. For this, they need greater certainty about the future conditions for their activity.

In order to eliminate misunderstandings, it is necessary to state, however, that stabilization can and should affect the system principles and the general rules for the activity of the enterprises, but it cannot apply to individual parameters, such as prices, turnover tax rates, or exchange rates for foreign currency. In the very essence of these parameters and the economic mechanism introduced, there is a need for considerable flexibility. These parameters must be changed and adapted to changing market conditions. On the other hand, the rules of the game should be as stable and permanent as possible. It will not be possible to do this in all areas, however. For example, it is difficult to specify the principles for the establishment of foreign exchange deductions for the entire 5-year period. It has thus been proposed that we make them binding for 2 or 3 years, and if they work out, it will be possible to confirm them.

The need for adapting certain legal regulations to the new stage of the development of the reform is also associated with the issue of stabilization. This does not apply to the fundamental legal documents of the reform, but rather to the laws on prices, the financial management of enterprises, the taxation of units of the socialized economy, and the PFAZ. The projected modifications have been limited to a minimum. They are a consequence of and at the same time a condition for further evolution in reforming the economy, aimed at strengthening the principles of the reform of which we have spoken, and at stabilization of the modified rules of the game.

[Question] Furthermore, in your opinion, which general tendencies in the projected transformations of the system deserve to be emphasized?

[Answer] An essential matter is giving greater consideration to the specific features of the individual sectors of the economy, their continuing differences. For example, those characteristic of agriculture, the results of which are dependent to a great extent on the weather, climatic variations, or those characteristic of the mining industry. In connection with the different conditions for mines and the so-called

miners' pension, in this industry it is necessary to use settlement accounting. In the economy, there are a number of permanent differences of this type, and the experience of the last few years has taught us that unless they are identified in advance, they will later give rise to justifiable claims and as a consequence to additional adjudications and reductions.

The next issue that is important for the progress of the reform is bringing about a more complete utilization of the instruments and regulations that already exist. Here I am thinking above all of the law on improving the management of the enterprises and their bankruptcy. For this reason, certain small modifications are also being planned in the law itself, aimed at a clearer specification of the conditions that constitute a basis for initiating the so-called internal proceedings, since the present formulation has resulted in difficulties in interpretation.

[Question] According to many opinions, the implementation of this law is a criterion for consistency in introducing the reform. Thus, why, in your opinion, has it been implemented on such a modest scale so far? And what are the grounds for the assumption that this situation will change?

[Answer] The regulations in this law are already being applied rather extensively at present--I want to emphasize this clearly--but the public does not know much about this. The essence of this law--in spite of frequently encountered notions--is not bankruptcy, which will always be an exceptional situation. The wisdom of the law lies in creating an entire complex of methods to put pressure on enterprises that are operating poorly and inefficiently. An enterprise threatened with a loss must initiate the so-called internal proceedings, and work out and implement a program for reviving its management. Currently this is being applied to several hundred economic units. Another very important tool used in 10 cases is forming a board of commissioners. That is a very sharp punishment for the former management, and it also means the suspension of the activity of worker self-government; it is a method for putting failing worker self-government on its feet. And that is the main question.

What is the weakness in the operation of this law? It is understandable that the situations it deals with give rise to a clash of sharp antagonisms. On the other hand, we have to deal with pressures aimed at improving management, and on the other, defensive mechanisms are called into play, which is understandable. Failing enterprises search for ways to save themselves by demanding special reductions, subsidies--or in an easier way, often reprehensible from the general social point of view, not requiring persistent work within the enterprise. It is a question of making sure that such defensive measures will not be effective in the future.

[Question] And here is the next doubt, frequently raised, about the draft system for evaluating the enterprises. Its critics see it as follows: the reform assumes that the dominant criterion for evaluating the work of the enterprises should be profit. It is thus necessary to create the conditions for this to be a reality, and not create substitute evaluation systems.



[Answer] That is a false formulation of the matter. We are doing everything possible to strengthen the profit category, to give it its proper rank and significance. In the transformations of the system for the next 5-year plan, the key issue from this point of view is a further rearrangement of prices in such a way that they will reflect more adequately the social costs of production. By the way, certain solutions were prepared that were aimed at eliminating the so-called cost formula for prices, which does not act because of the reform but rather in spite of it, hampering a correct differentiation of profitability. Changes in the sphere of price formation will also be favored by the tendency to expand equilibrium prices and to revive market mechanisms. While the disequilibrium continues, however, the rearrangement of prices has to be a gradual process, based not on devout wishes and utopian assumptions, but rather on a mature and honest diagnosis of the real state of affairs.

We still have to deal with the conditions of a transitional period, since a high profit does not always mean highly efficient activity on the part of an enterprise, and vice versa--a low profit does not always mean low efficiency. This is not going to change tomorrow. In view of this, it is all the more important to work out a system of criteria for evaluating enterprises that would provide as full and honest a picture of their activity as possible. There is an alternative--either these will be evaluations used casually by every body and group entitled to them--by the founding organizations, the NIK [Supreme Chamber of Control], the elements for external and internal control--or they will all use uniform criteria known in advance to the enterprise. This second possibility is considerably more beneficial for them, and favors the autonomy of economic elements. And here is one more consideration supporting the need for a system of evaluations. A socialized enterprise, in its activity, cannot be guided exclusively by the desire to maximize its financial results. It also performs several non-economic tasks; for example, it deals with social matters or services on behalf of the region, which should also be taken into account in the evaluations.

All of the above reasons, however, do not negate the fact that the basic criterion for the activity of enterprises should be the financial result, and that further development of the system entails strengthening this category. For this purpose, we are trying to improve the spheres of prices and wages, tax principles, subsidy methods, and the credit system. These are the main directions and areas for the system changes being prepared for the years 1986-1990.

9909

CSO: 2600/966

POLAND

MINISTER COMMENTS ON PARIS CLUB AGREEMENT

Warsaw ZYCIE WARSZAWY in Polish 20-21-22 Jul 85 p 2

[Interview with First Deputy Minister of Finance Professor Witold Bien, conducted by a reporter of the Polish Press Agency: "What Is the Meaning for Our Economy of the Agreement Signed in Paris", time and place not given]

[Text] A reporter of the Polish Press Agency interviewed the First Deputy Finance Minister, Professor Witold Bien, about the agreement signed in Paris regarding our indebtedness.

[Question] We have signed in Paris an agreement with the representatives of 17 creditor countries regarding postponement of repayment of our debts. What does this mean to our economy?

[Answer] First of all, I have to remind you that the agreement enables us to postpone payments, due for the credits guaranteed by governments of Western countries, from the years 1982-1984 until 1990-1993. The total of these credits amounts to almost 12 billion dollars, i.e. about 40 percent of the total Polish indebtedness. According to the agreement, repayment of that amount will start in 1990 and will be completed in 1995. In other words, this means postponement of 11 years counting from the current year and includes a 5-year postponement of payment of amounts which were postponed before.

[Question] Does it mean that we are going to pay nothing through that period?

[Answer] Unfortunately not. We have postponed only what we had not paid in the past years but we must pay the current interest on the unpaid amounts. Postponing debts costs money. Additionally, we must repay certain amounts as we have undertaken in the previously signed agreement with the Paris Club in 1981 which covered the postponement of payments to commercial banks and to the countries which did not participate in the Paris Club. All this is the result of living on credit in the seventies. For instance, in 1979 our imports in terms of convertible currency were 2.2 billion dollars higher than our exports and in 1980 this difference still amounted to 0.8 billion dollars.

[Question] If so, what has been gained by signing the Paris accords?

[Answer] If someone has not paid on time, he must agree with the creditors regarding a new payment schedule because this is the necessary condition for establishing a basis for avoiding many impediments of economic cooperation with the creditor countries. The negotiations were difficult. Bringing those negotiations to the conclusion also meant that the policy of economic and financial sanctions to obtain political gains turned out to be a *filippo*. The signing of the agreement permits adjusting the payment schedule to our capabilities and provides a basis for normalization of our financial relations with the West but does not do away with a serious burden of repaying debts plus the cost of their postponement.

In other words, signing of the agreement gives a chance to put in order our debt situation without actually lowering population's standard of living. To take advantage of this chance will require a great economic effort to increase our export with simultaneous improvement of the quality of our production, on time deliveries and higher profitability. This is the only way to obtain more means not only to repay the debts but also to get more imported goods. Signing the agreement, however, does not mean by itself that imports will automatically increase.

Signing the agreement in Paris, we have demonstrated our determination to put in order our economic and financial relations with the creditor countries. At the same time, we have clearly stated that we expect our partners to abandon the policy of restrictions against Poland.

[Question] Is it true that the national income for distribution will remain smaller than the income produced?

[Answer] If we accept that we do not want and cannot live on credit--yes. At the same time, we are facing the necessity to gradually free ourselves of the debt. This is the assumption for all variants of the National Socio-Economic Plan for the years 1986-1990. The postponement of debt repayment is due to our inability to service it in full but the debts incurred in the seventies must be repaid.

We must remember that, thanks to loans, through the previous decade of the 1970's, we spent more on imports than we earned from exports and a great part of that we have consumed. Once again, I emphasize that the only way out is to increase exports and use the additional income, partly, to improve the supply of goods on the domestic market, and, partly, to repay foreign debts.

8801

CSO: 2600/964

POLAND

GOVERNMENT REPORT ON ECONOMIC REFORM IMPLEMENTATION IN 1984

Warsaw RZECZPOSPOLITA in Polish 25 Jul 85; supplement REFORMA GOSPODARCZA No 58, 25 Jul 85 pp I, III, IV

[Chapter VIII of the government's report on the implementation of the economic reform in 1984]

[Text] I. Assumptions

1. The attainment of socioeconomic goals set for the years 1986-1990 is contingent upon further, consistent transformation of the system of the functioning of the national economy along the lines mapped out in resolutions of the 9th PZPR Congress--with account being taken of experiences gathered in the intervening period, changes in socioeconomic conditions, and the achievements of other socialist countries in perfecting their economic systems.

What should be done in particular is to:

--consolidate the underlying principles of the economic reform, embracing on the one hand the strengthening of the strategic functions of central planning, and on the other the autonomy and self-financing of enterprises and worker self-management;

--raise the quality, and increase the efficacy, of the central control over the economy--by improving the functions, methods and operating modes of central administrative bodies;

--develop and activate regional self-government, worker self-government, and cooperative self-government, as the principal forms of the working people's participation in the running of the economy; and to achieve further progress in socializing the process of socioeconomic planning;

--improve the necessary [process of] amending, verifying and correcting the systemic arrangements and economic policy tools, in accordance with the determinants and plans of economic growth;

--encourage the spirit of entrepreneurship among managerial cadres, broaden the room for initiative and novel undertakings, support flexible forms of cooperation and inter-enterprise organizational links;



--provide conditions for, and enforce authentic implementation of, new [organizational] arrangements and modes of operation at all levels of the national economy, in order to enhance their dynamism and innovativeness with a view to tapping the deeper layers of economic reserves.

2. The shaping of the system of the functioning of the economy should be closely harmonized with the objective determinants of the nation's socio-economic development and the relevant plan targets. What is needed in particular is such a selection of systemic arrangements, and methods and tools of economic management which would guarantee the attainment of the adopted goals in concrete economic conditions.

With this in mind, it must be concluded that in the years ahead, to a gradually reduced extent, it will still be necessary to apply interim arrangements such as, e.g., the rationing of some factors of production. It is extremely important that the concept of the National Socioeconomic Plan [NSEP] for 1985-1990 should place special emphasis on the soonest possible attainment by the economy of such features which permit a fuller utilization of economic mechanisms in influencing efficiency improvement. What is needed in particular is to restore economic equilibrium, arrest inflation, and ensure the availability of production factors in accordance with economic principles. This is one standpoint from which the goals and major lines of economic policy for 1986 should be assessed.

3. In step with consolidating the principle of rationality as an underlying basis for economic activity, systemic arrangements will be diversified so as to suit the specific features of individual branches and sectors of the national economy. But the diversity of technological, economic, or functional characteristics of individual areas of the economy--although warranting the differentiation of some systemic elements--must not serve as a justification for additional relief and preferential treatment. The rigors of efficiency should be equally binding on all segments of the economy.

4. The system of the functioning of the economy should be developed on a continuous basis. The economic mechanism will continue to be improved throughout the 1986-1990 period, in step with the maturing of assumptions and the acquiring of new experiences. At the same time, the greatest possible stability of systemic arrangements would be sought, so as to offer long-term perspectives for enterprises and raise their confidence in the durability of economic regulations. This is a necessary condition for the launching of economic progress on a large scale. The regulations governing various aspects of operations by enterprises and other economic units should be more intelligible and coherent, and they should be made known to enterprises on time.

5. The implementation of the conclusions on developing the system of the functioning of the economy will require an increased effort in shaping public consciousness and the overcoming of thinking and behavioral stereotypes--both at enterprises and at administrative bodies of the central and regional levels.

## II. Consolidation and Socialization of Central Planning; Coordination of Social Interests

6. Further development of central planning should take such a course which would permit the fullest possible utilization of benefits of planned economic development offered by the socialist system, and which would provide conditions for the development of enterprise autonomy and responsibility for economic performance. Consolidation of central planning should be accompanied by improvement of the mechanism of the functioning of the economy. The development of the system of economic regulators, the decision-making procedures, and the organizational transformations should be targeted at achieving the highest possible efficacy of central plan implementation.

7. The principle of comprehensive planning should be disseminated, and emphasis should be placed on problems-oriented planning, enabling a fuller approach to basic issues of the nation's socioeconomic development. This requires a deepening of the planning process on the one hand and closer contacts with scientific communities on the other. It is imperative that pre-planning studies, of varying subjects and time horizons, should be developed.

8. There are differences of sectoral interests within the economy concerning the participation in the distribution of consumer and producer goods--both in the short and long run. The existence of these differences exerts major influence upon the general socioeconomic framework of economic life, and upon the course of economic processes. A correct functioning of the economy requires that these differences be identified and exposed, and that proper institutional forms of their overcoming be sought.

The development and enrichment of forms in which economic interests--manifesting themselves at various levels of the economy and in various occupational and sectoral groups--are coordinated and harmonized should provide an important factor consolidating the planning of development processes and of economic patterns in accordance with the underlying principles of socialism.

9. On the basis of experiences gathered in the course of consultations over the concept of the 1986-1990 plan and on the basis of discussions over proposed [changes in] systemic arrangements, work should be continued on how further to improve the principles and forms of public consultations over problems of economic strategy and current policy. We should adopt a principle that consultations should deal with principal economic choices, with the available potential to meet the requirements of individual social, occupational and regional groups--and not detailed figures. In submitting these choices for public discussion, alternative social costs and benefits of each of the consulted variants should be presented.

10. Against the background of individual groups' interests, there should be developed forms of day-to-day cooperation and dialogue between government bodies on the one hand and labor unions and occupational and regional associations on the other--to be coupled with public presentation of diversified opinions of various

social groups. Preparations should be made for introducing an institutional channel of direct dialogue between labor unions and farmers' representatives, to be aimed at coordinating both sides' interests in the field of retail food prices, while at the same time ensuring a proper correlation between changes in these prices and farm-procurement prices.

11. A passage from [direct] physical control into control through economic regulators requires that the role of the money in influencing the economy should be increased substantially. More effective methods of controlling global demand (purchasing power) should be designed and introduced in practice, so as to influence more effectively the restoration of equilibrium and the required structural changes. At the same time, it is essential that the current and future determinants of enterprise operations--both physical and financial--should be identified and influenced in a steady, systematic manner. Among other things, this should be served by a broader recourse to simulation analysis.

12. It is essential to constantly improve two-way exchange of information between the policymaking center and the enterprises about initial assumptions and designs of central plans and macro-economic conditions of their implementation on the one hand and enterprises' current situation and development plans on the other. Consultations over the mechanism of the functioning of the economy should be extended and deepened--and in this process the experience gathered by enterprises with the status of reform consultants should be drawn upon.

13. The system of economic analyses should be further improved; and this should also apply to the application of these analyses for the purpose of central planning and for day-to-day control of economic developments and decisions taken by enterprises and other economic units. In recent years, the contents and methods of periodic analyses have been enriched, and new lines of analytic work have been worked out--especially as regards early warning about possible threats to the implementation of annual plans. It is desirable to develop the system of periodic analyses, and especially to seek an integrated presentation of physical and financial processes in the economy, and to broaden the extent of studies into the efficiency of economic activity. We should also assess the efficacy of individual economic mechanisms and the correctness of applying concrete tools and economic parameters.

14. An important instrument of control over the economy--and, in particular, of structural change--will be provided by government orders and operational programs. The time-span of government orders will be extended. In the field of investment and R+D projects, these orders will cover full development cycles. In respect to materials and final products, the focus will be on eliminating bottlenecks in production. The time-span of government orders for some materials and final products will be extended to 3 years.

15. The principle of voluntary participation--by enterprises and other economic entities--in the implementation of government orders and operational programs will be consolidated, with orders to be awarded on a broader scale to the highest bidder. Experience shows that this principle will be encouraged by guaranteed supplies [to the executors of the orders] and other forms of preferential treatment. But in order to fully guarantee that tasks of fundamental importance for the population and the national economy are executed,

an extension is needed, till the end of 1990, of the Council of Ministers' powers to impose on enterprises, cooperatives, and other economic units--in accordance with provisions of Article 54 of the law on state enterprises--an obligation to conclude a contract on the implementation of tasks defined in government orders or operational programs. This should be done in specially warranted cases, when the economic unit in question--despite being offered guaranteed supplies--will refuse to conclude a contract on the execution of a government order or an operational program lying within its range of operations.

16. A major condition for such a development of the system of the functioning of the economy which would produce a steady growth of economic efficiency and a high degree of controllability of economic processes is that the tasks and modes of operation of central and local administrative bodies should be fully adjusted to the new principles of the functioning of the economy. In particular, strong emphasis should be placed on abandoning traditional beliefs about how the national goals are to be pursued, and on eliminating tendencies towards administrative interference in enterprise operations. At the present stage, the objective of high efficacy of central control over the economy can be ensured primarily through further improvement of economic tools with which to influence enterprise operations, and through higher-quality work of the central state apparatus, which should be reflected in better decision-making procedures and stronger enforcement of the adopted decisions. Ministers, directors, and senior civil servants at central and local offices should bear greater responsibility for their decisions.

17. Ministries and central and local offices should prepare and introduce programs on adjusting their organizational and personnel structures to the tasks and functions stemming from the development of the new system of running the economy in 1986-1990.

### III. Consolidating the Conditions for Enterprise Autonomy

18. If the system of functioning of the economy is to develop in accordance with the underlying assumptions of the reform, it is imperative that conditions be provided for strengthening the principle of autonomy of state enterprises, as the main organizational units of the national economy. The broadening of autonomy should be consistently accompanied by increased responsibility of enterprises and their workforce for the results of economic activity. This goal will be served by improvements in the economic system (and its tools) of influencing enterprise operations and by consistent observance of the self-financing rules. This is also the direction that will be followed in objectivizing the criteria according to which enterprises and managerial cadres are to be assessed.

19. In conditions of mutual interdependencies among various economic organizations--especially in the nature of coproduction--the implementation of the autonomy principle will require, in some cases, that the goals and functions of the enterprise be more accurately defined in its founding act and statute, and that these goals and functions be better adjusted to the adopted strategy of the nation's socioeconomic development. This basic regulation concerning the



enterprises [i.e., the autonomy principle] should be used more actively for the purpose of adjusting the organizational patterns of the economy and the lines of enterprise operations to the nation's long-term development goals. Relevant principles and procedures should be worked out, on the basis of existing Sejm law provisions.

20. Work should be completing the legal system governing enterprise operations and on making it cohesive and intelligible. Particular attention should be accorded to limiting the number of rules in force, especially in the fields of wages, social benefits and financial settlements. Relevant bodies of state administration should review and simplify the existing legal regulations by the end of 1985, working on the assumption that lower-level acts should comply with higher-level ones. Greater attention than so far should be devoted to full observance of the law in day-to-day economic practice--by both enterprises and bodies of economic administration. In particular, retrogressively-binding legal acts should be totally eliminated, and all regulations and decisions should be made known to enterprises in advance. With this in view, the decision-making and legislative procedures at state administrative bodies should be reviewed and improved.

21. Financial powers at economic organizations should be delegated downward (to the level of plants and departments). In order to ease this process, relevant bodies of state administration, together with the interested social and occupational bodies, will work out and disseminate typical organizational arrangements for devolved financial responsibilities ["rozrachunek gospodarczy"]. Analytical work should be done at enterprises, and wherever possible worker-brigade forms of organization should be introduced.

22. Autonomous production teams ["zespoly gospodarcze"] at socialized enterprises should be allowed to perform a broader range of operations, including repairs and overhauls. Greater encouragement to work in the teams should be offered to able-bodied retirees. Limits on their pay in the teams should be lifted, with pay-regulation functions to be played by income-equalizing tax on the entire income (pension plus pay earned in the autonomous production team).

23. As an important factor of enhancing enterprise autonomy, the criteria of assessment of enterprise operations and managerial activities should be put on an objective footing. It should be remembered in particular that--along with the self-financing principle and orientation to the earning of profit--the enterprise should perform many important social functions, reflecting the social determinants of its operations. Work on general principles and criteria of periodic assessment of enterprises should be finalized, and so should be work on defining the status of the enterprise director.

#### IV. Developing the Activities of Worker Self-Management

24. Worker self-management should be developed, as a durable feature of socialist relations in Poland and a major element of the process of reforming the economy. The development of worker self-management activities along the lines defined in the relevant Sejm law should contribute to enhancing the

influence of the workforce upon enterprise operations and the nation's overall socioeconomic situation. By broadening the working people's participation in the running of the enterprise, worker self-management offers the best means of deepening the sense of responsibility for the efficiency of economic activity among shopfloor workers and other occupational groups. A very important line of self-management activity should be to get the development of the enterprise into line with the nation's socioeconomic goals for 1986-1990. Worker self-management should also increase its role in creating a climate favoring the observance of moral, social, and legal norms among the workforce.

25. It is essential to steadily increase the level of economic education of self-management activists, which is a condition for the correct discharging of self-management's statutory functions. Various forms of education should be promoted, and the new principles of running the enterprise and the national economy as a whole should be popularized. In particular, it should be brought across [to the workforce] how much at enterprises depends on self-management decisions and how great responsibility for final results is borne by the workforce and self-government.

26. Cooperation should be developed between self-management bodies on the one hand and labor unions and other organizations operating at the enterprise on the other. This should be served by clearer delineation of both their functions and of principles of cooperation in resolving work establishments' economic, social, and cultural problems.

27. Such practices as the recourse of faits accomplis in relations with self-management bodies, insensitivity of the administrative apparatus to substantiated charges, old habits and ways of thinking, and failure to base relations with self-management on the principle of full partnership--which still exist, although on a decreasing scale--should be firmly opposed. Systematic, in-depth research should be carried out into the mechanisms which lead to the restriction of self-management powers, and methods of countering such tendencies should be developed.

28. On the basis of experience gathered to date, especially at ministries and voivodship bodies, the system of cooperation between administrative bodies and worker self-management should be developed. What should be worked out in particular is a systematic exchange of information between administrative bodies and worker councils, assessments of relationships between administrative bodies and worker self-management bodies and between directors and worker councils, and assistance in providing self-management activists with the knowledge necessary for them to discharge their functions.

#### V. Prices, Subsidies, Taxes

29. It is essential to continue measures aimed at strengthening the function of prices as a parameter of objective information on actual supply-demand interplay and social costs of production. While consistently seeking to make prices realistic, it must be acknowledged that pricing decisions should be made in such a way as to help balance the economy and curb inflation. The efficacy of the state's pricing policy should be raised.

30. Practical arrangements in the pricing field should include:

1) Gradual extension of areas where prices may be based on supply-demand relations. With the help of sales tax, [the state] should be more active in taking over an overwhelming portion of those financial benefits which result exclusively from the fact that a given producer operates in an unbalanced market. Nor should it be tolerated that the imbalance between supply and demand might be taken advantage of by enforcing on buyers incommensurably high prices for items of major importance for the costs of production.

2) Extension of transaction prices [international prices converted into Zl at the official rate of exchange] in settlements between domestic buyers and suppliers on the one hand and foreign trade agencies on the other. This should bring the prices paid and received in foreign trade directly to the domestic producer and buyer, providing a condition for correct export-efficiency calculations.

3) Raising the efficacy and flexibility of pricing policy, by improving the administrative price controls. The latter should be better adjusted to diversified situations in individual market segments, and differentiate among articles meeting various consumer and production requirements.

31. The extent of cost-plus pricing should be reduced, as failing to direct the economic mechanism towards efficiency improvement. Where administrative price controls are necessary, attempts should be made to replace universal tools, embracing all (or nearly all) goods or producers, with customized instruments applied only to specified goods or enterprises (in cases where such interference is indeed necessary). In particular, this will be applied in such cases where:

--the unbalance between demand and supply may be used by the seller to enforce on the buyer incommensurably high prices for goods which are of major importance for the costs of living or the costs of production;

--a monopolistic position is used to enforce on the buyer irrationally high prices.

It is purposeful to enrich and diversify administrative price controls, so as to adjust them to diversified conditions of production and sale (e.g., some product groups are stable while in other ones product ranges are renewed frequently).

32. In the field of subsidies, it is necessary--in conjunction with pricing policy--to gradually reduce the extent and amount of subsidies on the one hand and to introduce changes to the subsidies system. The principles of subsidizing should be so improved as to increase pressure for efficiency growth, while at the same time providing stable conditions for enterprise operations. With this in view, the goal should be to apply unified rates for all producers of a given goods, and where diversification is deemed necessary maximum rates should be defined along with average rates.

33. The sales tax should continue in 1986-1990 as an active tool for attaining equilibrium prices. This requires that the finance minister's authority to diversify tax rates for individual groups of goods and services should be retained in the discussed period. In warranted cases the rates of sales tax may be lowered--e.g., when increased production or reduced demand result in lower equilibrium prices. Where it is permitted by technological or organizational considerations, the tax should be levied to a greater extent at the stage of distribution [and not at the stage of production, as for the most part is the case today].

34. The linear formula of income tax should be maintained, as should be systemic income-tax concessions, as a regular instrument of economic policy. But the scope of direct income-tax concessions [granted to listed producers] should be reduced. Indirect concessions [for listed products, services and undertakings] should be assigned in a greater degree than before to high-productivity modernization and investment projects oriented to export production and technological change (including improved quality and consumption of fuels and raw materials). The principles of granting systemic concessions should be so defined as to enable enterprises to compute the due amount on their own. It will be consistently observed that a failure to meet the required criteria will result in a revocation of the concession by the state's financial apparatus.

#### VI. Wage-Forming Mechanisms

35. The mechanisms shaping wage funds at socialized economic units require a great deal of improvement. To a greater degree than before, they should stimulate higher efficiency and curb economically-unwarranted growth of wages. For this reason, wherever possible, such arrangements should be applied which would tie wages to efficiency, while retaining the present linkage between the growth of wages and that of production. At the same time, more effective systemic safeguards should be provided, to counter excessive, unwarranted pay rises. The systemic arrangements should make it possible to eliminate lobbying and discretionary elements from the field of wage-fund formation.

36. Given the need for making the wage-forming mechanism more flexible, it is assumed that different pay formulas will be applied, adjusted to technological characteristics and expected development lines of various areas of the economy. In particular, the following wage-forming formulas should be applied in 1986-1990:

--a mixed formula, linking [tax-free] wage growth to both the growth of net sold production and to a percentage-wise threshold set in central annual plans [to allow for inflation and increase in cost of living];

--a threshold formula, to be applied exclusively in areas where it is not possible to directly link the growth of wages to that of net sold production;

--a sharing formula, under which wages would amount to a fixed proportion of net sold production, to be applied, e.g., in services;



--a profit-linked formula, under which the amount of wages would represent a fixed proportion of balance-sheet profit, to be applied in areas where market is balanced, there are no monopolistic dangers, and where the price level and profitability are relatively stabilized;

--a formula under which tax on individual wages would be paid from profit, to be applied, e.g., in designing offices.

37. It is necessary to introduce a mechanism which would tie--more closely than so far--the amount of distributed-profit bonuses and awards to the size of profit. In order to increase managers' interest in the amount of profit, it is purposeful to consider whether the management's bonuses and awards should not be paid from the distributed profit.

38. It is necessary to make changes in the mechanisms countering excessive wage rises. It does not seem appropriate to continue linking this function to the PFAZ [National Labor Redeployment Fund] system. It is proposed to abandon PFAZ contributions, while at the same [time] introducing a more adequate form of taxation of unwarranted wages (exceeding the limits defined by net production growth and the adjusting coefficient, by the [inflationary] threshold, etc.).

39. Enterprise wage systems, as defined in the relevant law and already introduced in many enterprises, should be spread further. At the same time, the principle should be observed that the essence of these systems is to reduce pay components unrelated to the results of work. Nor should it be allowed to broaden the scope of various kinds of privileges.

40. An important role in shaping a proper pay system should be played by collective-bargaining agreements concluded above the enterprise level. But in preparatory work on these agreements, enterprises' powers to shape their own internal structures and levels of pay rates should be honored.

#### VII. Strengthening the Self-Financing Rigors

41. The goal of balancing the economy and increasing economic efficiency requires that better conditions be provided for forcing enterprises to tap deep, qualitative reserves. To this end, the role of money categories in organizing enterprise operations should be increased and the self-financing rigors should be strictly observed.

42. The role of profit, as an element in the assessment of enterprises' economic situation and as a factor stimulating economic progress and the spirit of enterprise, should be increased. In particular, the arrangements governing finance management at enterprises and the crediting principles should be reviewed with a view to raising the role of profit earned from increased efficiency.

43. It should be ensured that the tools of economic coercion, as provided under the law on financial recovery of the state enterprise and its bankruptcy, are applied firmly and consistently. To this end, some provisions of the said law should be rendered more accurate in defining criteria for the obligatory

setting in motion of internal readjustment proceedings. This obligation should not be tied to balance-sheet loss, but rather to a danger that the enterprise will not be capable of financing its principal liabilities.

44. At inefficient enterprises, in cases specified in the above mentioned law, receivership should be imposed quickly and without hesitation, in order to recover the enterprise concerned. To this end, training of receiver cadres should be expanded, so as to produce a pool of highly-qualified managers able to act in critical conditions.

45. In respect to durably inefficient enterprises which fail to prove themselves as a well-run economic entity, appropriate steps should be taken, up to liquidation proceedings. In such cases, arrangements protecting the workforce's social and occupational interests should be drawn upon, and in particular the resources of the National Labor Redeployment Fund (PFAZ) should be tapped.

46. Informational measures should be intensified, so as to get it across to the public that the proceedings resulting from the law on financial recovery of the state enterprise and its bankruptcy are in the nature of retribution for inefficiency, mismanagement, and failure to improve performance.

#### VIII. Developing the Organizational Structures

47. The shaping of the organizational set-up of the economy should be subordinated to the long-term strategy of the nation's socioeconomic development, and should take into account individual areas' technological/economic features, their importance for the economy as a whole, and social considerations. In particular, the goal is to provide such organizational conditions which would help modernize and dynamize the carriers of technological progress, solve key economic problems in a comprehensive manner, and integrate enterprises' operations around export expansion.

48. In developing the economy's organizational structures, the following should be taken into account: first, the economic and social gains from having an independent enterprise as the principal unit of the national economy; second, the economic efficiency, as the main criterion for all economic undertakings, including the organizational ones; and third, the need for coordinating economic processes and for providing conditions for the state's effective influence over the lines of economic development. An important factor of correct evolution of the economy's organizational structures is the initiative and aliveness of enterprises in entering into various forms of cooperation and production and economic ties with other enterprises. In designing the new organizational pattern, the starting point should be the definition of goals to be served by the new organizational forms. It is also important that, with a view to avoiding excessive costs of reorganization, assessments should be made of whether the adopted goals cannot be achieved within the existing organizational structures.

49. There should be a more active utilization of various organizational forms for the purpose of concentrating resources and expanding coproduction and specialization--from industrial cooperation agreements, to consortia, to mixed

and joint-venture companies, to multi-plant enterprises (combines). When initiating organizational changes, both enterprises and administrative bodies should be more vigorous in surmounting sectoral barriers, and should seek to integrate operations under a set-up that would suit the societal requirements and the logic of production and technological interdependencies.

50. A comprehensive assessment is needed of the efficacy of the existing organizational structures in areas of infrastructural importance for the national economy. This is true in particular of mining, power generation, heavy metallurgy, the petrochemical industry and some branches of the food-processing industry (sugar, meat, etc.). The organizational pattern in these areas should on the one hand ensure conditions for the state's effective control and influence over current operations and development, and on the other should allow for the highest possible extent of autonomy, self-management, and self-financing, or major factors of efficiency improvement and workforce commitment. In step with the maturing of assumptions, with account being taken of specific features of the areas in question, we should improve—in a customized manner—the organizational forms, the ties among producers, and the principles of cooperation throughout the whole complexes.

51. Organizational and systemic arrangements for the implementation of big development projects and special-purpose economic programs should be prepared and introduced into practice. In the first place, this should be done in respect to electronization and robotization. The adopted arrangements should take into account initiatives put forward by self-management bodies and social/occupational organizations.

52. The establishment of strong centers integrating research and production should provide an important line of action, especially with a view to dynamizing technological progress. To this end, it is necessary to prepare, as quickly as possible, all implementing regulations conditioning the introduction into practice of the bill on research and development organizations, which has been sent to the Sejm.

53. Where conditions permit, the number of mandatory associations should be reduced; and the lines of their activities should be specified in greater detail. An executive order obligating enterprises to associate and defining the association's goals should leave room for the specification of means with which to attain these goals. At the same time, it is necessary to counter the tendencies emerging in some areas towards the transformation of mandatory associations into intermediate levels of management, positioned between the enterprise and the ministry.

54. Expansion of small businesses should be facilitated--among other things--by simplifying the organizational conditions in which these units, of all ownership sectors, have to operate. More active use should be made of such advantages of small organizational forms as flexibility and capability to quickly adjust production and services to market demand; efficient use of local raw materials; vast opportunities of activating labor resources; and relatively low capital-to-output ratio. Facilities should be provided for the transfer to small businesses of unused machinery from other sectors. Of great importance, especially in electronics and other modern areas, is to organize small

production/service units oriented to technological progress. Work on implementing regulations to the small businesses law should be completed, and the provisions of that law should be more actively implemented at all levels of economic management.

55. The purposefulness should be considered of establishing an institution which would promote and support new organizational/systemic initiatives aimed at breaking up old, inefficient structures and creating new, more flexible organizational forms for economic activity, to be adjusted to the need of restructuring of the national economy.

#### IX. Rationalizing Employment

56. The goal of efficiency improvement requires that special emphasis should be placed on the rationalization of employment, especially in conditions of limited growth of labor resources. All elements of the new economic mechanisms aimed at improving working-time utilization and structure of employment--both at individual work establishments and in the economy as a whole--should be strengthened.

57. The main line of actions at enterprises should be the development of enterprise wage systems, aimed at correct motivation, and direct linkage--understandable to all--between pay and labor input. To this end, the principle of tying enterprise wage systems to enterprises' job-evaluation systems should be strictly observed.

58. Job standardization and organization services at enterprises should be provided with conditions for further development. Of special importance here is the development of workpost certification. Steps should be taken to strengthen those elements in the enterprise wage systems which stimulate workers' interest in improved systems which stimulate workers' interest in improved employment structure, especially in restricting purely administrative jobs in favor of those directly connected with production, its development, and technological progress.

59. With a view to stimulating the workforce's interest in the results of work, forms of collective work should be applied on a broader scale--and in particular the worker-brigade system.

60. In close conjunction with the central pay policy, and especially with its goal of desired wage pattern in occupational, sectoral, and regional breakdown, measures should be made to limit and gradually eliminate the obligation to seek job through official labor exchanges. At the same time, the informational functions of relevant bodies of state administration should be strengthened.

61. With a view to ensuring a high level of economic activity of society, facilities should be developed for the resumption of employment--in proper forms--by retirees, women on [unpaid, three-year] child-care leaves, and the disabled.



## X. Improving the Investment Processes and the Management of Fixed Assets

62. Measures should be taken to ensure, in all segments of the national economy, an improvement in the way the fixed assets are managed, especially as regards maintenance, but also repairs, replacement and modernization. New arrangements should encourage analyses of fixed-assets costs and proper management and maintenance of the assets.

63. Arrangements should be introduced under which final goods producers would be obligated to provide technical and organizational conditions for after-sale back-up and to supply spare parts for the whole lifetime of the products. It is essential to strengthen the arrangements designed to ensure the observance of investment priorities adopted in the nation's development strategy, including enterprise modernization projects in areas listed in the [five-year] National Socioeconomic Plan (NSEP), with particular stress on export-oriented investment projects and the related economies in the consumption of energy and raw materials. To this end, further facilities should be provided for the flow of financial resources among enterprises and for the launching of joint ventures; and institutions should be created which would ease quick financing of high-return investment projects surpassing the potential of single enterprises.

64. Economic and financial tools of influencing the structure of investment demand should be strengthened, in order to curb investments in buildings [rather than machinery], investments with long gestation cycles, and especially the investments launched without adequate guarantees of resources for their implementation. The system of investment deposits on building projects should be retained permanently—in conjunction with NSEP targets.

65. With a view to ensuring the implementation of development projects which are beyond the reach of single enterprises and to accelerate the restructuring of the economy, it should be rendered possible to accumulate and merge resources from various economic units and from other sources. As a condition of the accumulation of resources, detailed programs should be drafted on their physical utilization, complete with efficiency studies and analysis of environmental impact. The organizational forms of the accumulation of resources and of their management should be diversified. To this end, a broader use should be made of the legal institutions and organizational forms provided for under the existing legal system, such as special-purpose funds, the accumulation of resources in the form of specialized banks, foundations, joint ventures, funds centralized in mandatory associations of enterprises, joint stock companies, or the accumulation of resources at the disposal of relevant government ministers.

66. In order to ensure smoother implementation of centrally-ordered investment projects, it should be rendered possible to finance them from special-purpose funds, including the resources of the interested enterprises. At the same time, the principle should be consistently observed that banks will extend credit for the centrally-ordered projects only to the amount of feasible repayments from the development fund of the enterprise involved.

With a view to providing better conditions for replacing and modernization at enterprises, consideration should be given to the possibility of modifying the principles of depreciation-allowance division between the enterprise and the state budget—working on the assumption that depreciation allowances on machines and equipment should be left at enterprises to a higher degree than at present, while the allowances on buildings should be taken over by the budget (centralized depreciation account) to a greater degree.

67. With a view to expanding the opportunities for additional accumulation of resources for development projects, the principles and procedures for the issuing of bonds by enterprises should be worked out and introduced into practice. Also, the state enterprises' opportunities for joint ventures with other socialized units, e.g., cooperatives, should be broadened and consolidated.

#### XI. Reducing the Raw Material Input and Rationalizing Material Resources Management

68. The major line of action here should be to seek the elimination of production-supply shortages, as a feature of the functioning of the economy. This goal requires simultaneous actions aimed at both increasing the supply and curbing the demand (through far-reaching economies), and also a wider extent of equilibrium prices for raw materials, intermediates, and semi-manufactures. The system of physical-resources supply to enterprises should thus evolve towards gradual limitation of rationing and expansion of freely-concluded contracts between buyers and producers; and at the same time towards greater role for financial and economic instruments in influencing the supply flows as a means of raising the efficiency of energy and material-resources consumption. The limitation of rationing should be a continuous process, developing throughout the 1986-1990 period owing to the improvement of economic policy tools and material resources management at enterprises. To this end, it is necessary to reinforce the mechanisms stimulating efficient use of the available resources, and enforcing economic consumption of raw materials and proper management of material resources and inventories.

69. Where the continuation of rationing proves necessary, its forms should be improved. This holds true for the extent of, and procedures involved in, production-supply priorities; the manner in which the system of government orders and operational programs is run; the forms and procedures for mandatory intermediation in material resources trade; the methods of imposing limits on fuel and energy consumption; and for the broader recourse to criteria of efficiency.

70. Where it is warranted and possible, the system of material incentives to documented savings of materials, fuels, and energy should be broadened. Arrangements should be made for leaving a large portion of the saved funds—in the form of tax relief—at the enterprises, to be added to the development fund and paid in the form of bonuses and awards to employees who have contributed to the savings.

71. The system of official prices for materials, fuels, and energy should be improved towards greater diversification of price levels, in accordance with quality and use value; and it should be ensured that a correct price pattern will be developing. The principle should be maintained under which the consequences of official-price rises for materials, fuels, and energy are passed only partially on the prices of final products made of them.

72. The enterprise wage systems should continue to be used for the purpose of stimulating economies in the consumption of materials, fuels and energy--by providing a direct linkage between bonuses and savings efforts. The impact of financial sanctions for waste or excessive consumption of materials, fuels, and energy should be made harsher. To this end, the system of state standards for material-resources consumption, covering mass-produced items, should be consistently expanded.

73. Excessively material- and energy-consuming products and processes should continue to be eliminated by means of production bans. Also, a mandatory certification of quality, taking into account the criterion of material and energy content, should be broadened--in respect to domestically-made and imported products and to their subsequent use.

74. The role of [freely-negotiated] contracts in material resources trade should be boosted--by raising the legal importance of such contracts and providing legal safeguards for the buyer.

75. Pricing instruments in the sphere of material resources trade should be used more actively--among other things, through greater diversification of official prices in individual product groups in accordance with the degree of supply-demand balancing. The scope of equilibrium prices in material resources trade, based on supply-demand interplay, should be extended.

76. The scope of production-supply priorities based on guaranteed supplies should be gradually reduced, so as to cover the surviving priorities in full and to gradually broaden the sphere of free trade.

Starting from 1986, annual verifications should be made of the extent of mandatory intermediation in trade (to successively exclude individual product groups and sub-groups), and of trade exchanges made under direct long-term agreements between the buyer and the producer.

77. Conditions should be provided for the development of wholesale trade in production supplies. To achieve this end, successive organizations involved in production-supply distribution should be ceded to the supervision of the minister for material resources management; wholesaling facilities should be expanded, and so should be transport- and production-related services rendered by distribution agencies.

78. With a view to improving the system of material supplies, changes should be designed--and introduced on an experimental basis--in the principles of mandatory intermediation in trade in some short-supply materials--towards reducing the extent of exclusivity in trade to the amount of supplies necessary for the implementation of priority targets set in central plans.

## XII. Dynamizing Scientific/Technological Progress, and Raising Product Quality

78. [as printed] The scientific/technological progress is to play the main role in overcoming developmental barriers in 1986-1990. Stimulation of technological

change, towards more sophisticated and more efficient production, should become a major criterion in assessing the efficacy of the system of functioning of the national economy. From this angle, current analyses should be made of individual subsystems and of the overall economic mechanism. Greater efficacy should be achieved for organizational arrangements and instruments designed specially to improve quality and promote technological progress. Among other things, work on the organization of science, research, and industrial application (both centrally and in important, specially-selected areas) should be finalized. Further strengthening is needed of economic stimuli to create and apply new products and technologies, and to raise product quality--throughout the whole cycle covering research, development, various stages of production, and other stages of the economic system. In step with enhancing motivation for investors, research establishments, and enterprises, the system of state standards and product certification should be developed, along with the elimination of products and technologies failing to meet criteria of high sophistication and quality.

79. The central research programs, stemming from the nation's development strategy and concurring with the lines of state policy on science and technology, should become one of the most important factors of scientific/technological progress. For the programs to be effectively implemented, the financial arrangements in the field should be improved. This should be served by the establishment of a central fund for research and development, replacing the previous research fund and the fund for technological/economic progress. The new fund would be formed partly from a budgetary subsidy and partly from the centralization of a portion of enterprises' obligatory deductions for the technical/economic progress fund.

80. The application of R+D findings in economic practice is of decisive importance for the scientific/technological progress. In order to ease this process, a central fund for application support and a central foreign-exchange reserve should be established. Conditions should be prepared for the creation of a bank for technological progress.

81. Innovative attitudes and measures aimed at improvement in the quality of products and services should belong to the set of principal criteria of enterprise assessment. Based on these criteria should be, e.g., the decisions concerning external funding for enterprises--both as regards grants and bank credits (on preferential terms).

82. Greater direct interest of enterprises in innovation is a major condition for dynamizing the scientific/technological progress. This goal should be served by the application effects fund, created at enterprises from pre-taxed profit in relation to the effects obtained from commercial application of R+D findings--including both the enterprise's own findings and those bought from science establishments. The right to form such a fund should be accorded to all kinds of socialized economic units.



83. Tax concessions should be granted for the application of new products and processes, and for other undertakings resulting in reduced consumption of principal production factors (especially materials and energy).

84. The principles of creating and spending the enterprise funds for technological/economic progress should be improved. The size of deductions to this fund and the rates of contributions to the central fund for technological/economic progress, set in national socioeconomic plans, should be defined in breakdown by economic area rather than ministry, as has been the case so far. The fund's expenditures on development work (e.g., prototype equipment, custom-made or short-batch machines, etc.) should not be required to be refunded from the enterprise development fund.

85. Improvements are needed in the organization, financing, and functioning of R+D establishments, such as research institutes, R+D centers, design offices, etc.

On the basis on draft legal arrangements, now at a preparatory stage, conditions will have to be provided for closer collaboration between the spheres of R+D and production--to be reflected in the establishment of integrated research/production centers, entry of institutes into associations of enterprises, and the extension of regulations governing the operation of R+D establishments to cover enterprises R+D departments as well.

86. The system of government orders in the field of science and technology should be strengthened and expanded. This concerns in particular the preferential treatment for economic units undertaking important research, development, and application projects. Of special importance here will be guarantees concerning the supply of rationed materials and means of production.

87. The scope of products liable to mandatory certification of quality should be steadily expanded, so as to reach at least 60 percent of all products by 1990, and penalties should be announced for failure to submit products for this certification. For these tasks to be implemented, the system of quality-certification bodies should be expanded and its facilities improved. Funds for this purpose might come, for example, from penalties for poor quality. In order to raise the quality of goods covered by Sejm-law guarantee, it is necessary to extend this guarantee to cover components for final products as well.

88. It is purposeful to introduce a principle that the distribution sector should not lose its commission fees if, for reasons of poor quality, prices are lower or products are banned from trade. A distributive unit which lowered the price to match the lower level of quality should have its margin paid in full by the producer.

### XIII. Developing the Orientation to Exports

89. The development of pro-export orientation of the economy, necessary for the implementation of the nation's socioeconomic development goals for 1986-1990, requires that a highest effort be made to dynamize profitable exports, to be increasingly composed of highly-processed goods. The mechanisms and instruments applied in the foreign trade area should be improved and

further developed, so as to help retain the existing level of raw-material exports, dynamize manufacturing exports, balance trade in food and farm produce, and improve the overall profitability of foreign sales.

90. The principal condition for the implementation of these goals is the growth of the national economy's export potential, to be achieved through accelerated export-oriented restructuring. To this end, a system of financial support for export-oriented investment projects should be introduced and developed, and such projects should be accorded preferential credit terms. Conditions should be urgently created for the establishment of a foreign-trade development bank--which, among other things would provide credits in the domestic and foreign currencies for export-oriented investments--so as to permit its opening in 1986.

91. An important condition for the development of the economy's export orientation is that the economic role of the exchange rate should be raised--through gradual attainment of sub-marginal rates [guaranteeing profitability for three-fourths of exports--ed. note].

92. The system of foreign-trade prices and settlements should be improved. To this end, the principle should be followed that export settlements [between the producer and the foreign trade agency], in trade with either payments zone, would be based either on transaction prices [international prices converted into Zl at the official rate of exchange], or on contractual prices negotiated on the basis of transaction prices, with subsidies taken into account. This does not concern the goods on which official prices have been imposed. In convertible-currency imports, [domestic] prices will be determined by transaction prices, with possible averaging. Import duties may be levied, to be refunded if the imported materials are consumed in export production. In nonconvertible-currency imports, prices will be determined by transaction prices with the exclusion of goods on which official prices have been imposed. Possible surcharges will also be refunded if the imported goods are used for the purpose of export production.

93. Exporting enterprises should enjoy preferential financial treatment, adding to their development potential and wage opportunities, and adjusted to the requirements of export profitability. In particular a [tax] concession should be introduced to allow for greater effort required by export production. Export-linked income-tax concessions should be continued, and here improvements should focus on the need for further acceleration of exports, and on raising enterprises' interest in maintaining the already achieved export levels.

94. The system of enterprises' foreign-exchange self-financing should be consolidated--by increasing the scope of export-revenue allowances [RODs], hard-currency auctions, and foreign-exchange credits. At the same time, the extent of foreign-exchange rationing should be gradually reduced. The system of enterprises' participation in export earnings should constitute not only a source of foreign exchange but also an instrument motivating enterprises to maximize exports. ROD rates should be stabilized for at least 2 to 3 years.

The goal should also be to have ROD rates for individual sectors defined in central plans, which would help eliminate discretionary elements. While retaining the accounting character of ROD accounts, it should be allowed for enterprises to change this character into one of property accounts. A system of ruble-denominated ROD accounts should be worked out and introduced in practice. It is necessary to broaden the scope of foreign-exchange credits--for both operating and investment purposes.

95. The extent of hard-currency auctions should be broadened. All enterprises should be admitted (provided they place the required deposit, financed from distributed profit), and export and production-supply production should be added to consumer production [as the purpose for which hard-currency funds can be bought]. The criteria of bidding will be specified in greater detail. The auctioned funds will be kept within the amount earmarked in the state's balance of payments.

96. Model arrangements should be prepared for the participation of suppliers in final producers' benefits on account of exports, especially as regards the participation in export-revenue allowances and income-tax concessions.

#### XIV. Improving the Domestic Market and Countering the Monopolistic Practices

97. The balancing of the market is the principal condition for its smooth operation--and a major goal set in the NSEP for 1986-1990. In step with the balancing, all forms of rationing and controlled sale should be gradually restricted and then eliminated from the domestic market. To the extent where rationing is indispensable--in view of severe shortages--its forms should be adjusted and developed so as to ensure maximum organizational improvements.

98. With a view to ensuring further growth of consumer-market supply, the pro-consumer orientation should be supported in enterprises' production activity, and conditions should be provided for launching production initiatives--through legal, organizational and credit facilities. Greater encouragement should be provided for using cottage-industry work as a means of raising consumer production, and greater use should be made of foreign trade as a source of enrichment of domestic market supply.

99. The extent of equilibrium prices in the consumer market should be expanded at a quicker pace, with sales tax to be actively used for both upward and downward price adjustments.

100. With a view to expanding distribution-network facilities, the obligation should be introduced to design and build trading outlets in new housing estates according to a pre-determined pattern, with favorable credit terms to be provided for this.

101. The system of distribution-sector margins should take into account the real level and changes in trading costs, the sector's development requirements, and the need to stimulate higher efficiency at trading outlets. Margins on foodstuffs should be gradually increased, in conjunction with changes in retail prices, in order to bring the profitability of food trade to that of nonfood

trade. A program should be drafted for the growth of margins in trade in basic means of farm production, and systemic corrections should be made to allow for higher costs of rural trade.

On the basis of the reformed system of distributive-sector margins, an acceleration will be needed in the introduction of effective, strongly motivating wage systems at trade enterprises.

102. In order to promote off-season price reductions for industrial articles, favorable climate should be provided for the participation of producers--on a contractual basis--in partial financing of the effects of such reductions.

103. Conditions should be provided for evolutionary development of new market organizations--in accordance with the requirement of the market and on the basis of efficiency criteria.

104. With a view to protecting the market and its participants against harmful practices of those economic units which take advantage of monopolistic positions or market imbalance, it is necessary to finalize work on the bill on countering monopolistic practices. The provisions of the bill should prohibit practices of enforcing harsh terms of contract, rejecting the conclusion of a contract even though it can be executed, restricting production or sales despite having sufficient supplies and productive potential, or dodging the obligation to provide technical and organizational conditions for after-sale back-up and for the supply of spare parts in products' lifetime.

105. The Fund for Market Development (FRR) should be additionally financed with penalties paid by enterprises resorting to monopolistic practices.

#### XV. Protecting the Natural Environment

106. Environmental protection has become of late a so important social goal that it becomes imperative to stimulate greater interest of the economic units concerned in rational use of the environment. With this in mind, the utilization of natural-environment resources should be charged at levels not only covering costs of extracting environmental elements and restoring ecological balance, but also enforcing proper use of mineral resources and by-products.

107. All enterprises producing material goods should be provided with conditions for construction and modernization of pollution-reducing equipment and for its subsequent maintenance. To this end, consideration should be given to an arrangement under which the entire depreciation allowance on environment-protecting assets would be left with the enterprises. Appropriate conditions should also be provided for the expansion of production at enterprises making environment-protecting equipment, and for rapid construction of environment-protecting facilities by building enterprises.

108. Conditions should be provided for the expansion of research aimed at faster technological progress in environment-protecting processes.



109. Rates of fees and penalties for the exploitation of natural environment should be raised substantially.

110. The principles of subsidizing investment projects from special-purpose funds should be modified, towards gradual departure away from subsidies to special-purpose loans.

111. Preparations should be made for the introduction of an ecological surcharge, to be levied on production costs of goods which add to environmental degradation. The obtained funds should be spent on financing environmental-protection projects.

112. It should be obligatory to assess the environmental impact at the stage of investment-project designing. Spending on the prevention of environmental consequences should be reflected in calculations of project efficiency.

113. Principles and methods of calculating environment-protection costs should be worked out, to serve the purpose of economic planning and socioeconomic analysis.

114. The main condition for the full implementation of the reform and for the attainment of its goals is that the new principles be understood universally and that the workforce's and society's commitment to the cause of improving the economy be still greater. In this context, the further consistent introduction of the new principles and their absolute observance in all units and at all levels of management is of paramount importance. It is also imperative that the criteria of managerial cadres' assessment and selection should be more strongly oriented towards initiative and entrepreneurship. The knowledge about the principles of the reform, its course and results so far, and the adopted lines of its consolidation and development should be disseminated more actively.

CSO: 2020/216

POLAND

SHIPYARD OUTPUT FOR 1984 DETAILED

Gdansk BUDOWNICTWO OKRETOWE in Polish No 5, May 85 pp 210-212

[Text] Production of Polish Shipyards for 1984

PRODUKCJA STOCZNI POLSKICH W ROKU 1984

1. Statki morskie o pojemności brutto od 100 RT wzwyż przekazane do eksploatacji

Symbol 1) numer budowy	2) Rodzaj statku	Pojemność brutto 3) ton	Noszenie 4) t	Podróż 5) klasyfikacyjny	Data 6) zakończenia budowy	7) Nazwa statku	Armator (Kraj)
<b>9) STOCZNIA GDAŃSKA IM. LENINA - GDAŃSK</b>							
D 73/3	17) Jacht	207	78	PIS	01.06.80	KALIAKHA	(Holandia)
D 92/36	18) Statek zaopatrzeniowy	(3 737)	1 330	RZSR	01.06.81	NEFTEGAZ-38	(ZSRR)
D 346/8	19) Drobniakowiec	(12 051)	10 471	ABS	01.06.80	KUTY FEEDOT	(Grecja)
D 346/4	20) Drobniakowiec uniwersalny	(15 348)	13 422	PIS	01.03.80	JAN DŁUGI	Chiny - -Polskie Tow. Okret
D 346/8	19) Drobniakowiec	(12 386)	10 618	ABS	01.03.81	SIMON BOLIVAR	(Kolumbia)
D 346/8	19) Drobniakowiec	(12 386)	10 618	ABS	01.11.80	ALMIFANTE JOSE PADILLA	(Kolumbia)
D 346/2	21) Hłodniowiec	(8 908)	7 434	RZSR	01.11.80	ARVID PELSHE	(ZSRR)
D 400/35	Trawler przetwórczy	(3 616)	1 796	RZSR	01.03.81	PAVEL STRELTZOV	(ZSRR)
D 400/36	22) Trawler przetwórczy	(3 616)	1 796	RZSR	01.05.80	VIKTOR MIRONOV	(ZSRR)
D 400/37	Trawler przetwórczy	(3 616)	1 796	RZSR	01.06.80	NIKOLAY VARLANOV	(ZSRR)
D 400/38	Trawler przetwórczy	(3 616)	1 796	RZSR	01.10.81	SVERDLOVSK	(ZSRR)
D 552/3	23) Zbiornikowiec	20 050	40 000	NV	01.07.81	PROTEUS	(Liberia)
D 552/4	Zbiornikowiec	27 001	40 000	NV	01.12.80	MARATHON	(Liberia)
<b>10) STOCZNIA PÓLNOČNA IM. BOHATERÓW WESTERPLATTE - GDAŃSK</b>							
D 95/2	Statek pożarniczy	(2 000)	317	RZSR	01.05.81	VIKIR-1	(ZSRR)
D 95/3	Statek pożarniczy	(2 000)	317	RZSR	01.06.80	VIKIR-2	(ZSRR)
D 95/4	25) Statek pożarniczy	(2 000)	317	RZSR	01.10.80	VIKIR-4	(ZSRR)
D 95/5	Statek pożarniczy	(2 000)	317	RZSR	01.11.80	VIKIR-3	(ZSRR)
D 277/1	Trawler rybacki	321	199	LR	01.05.80	GIDEON	(Islandia)
D 277/2	26) Trawler rybacki	321	199	LR	01.04.80	HALKION	(Islandia)
D 277/3	Trawler rybacki	321	199	LR	01.04.80	JOKULL	(Islandia)
<b>11) STOCZNIA IM. KOMUNY PARYSKIEJ - GDYNIA</b>							
D 535/2	27) Masowiec	40 387	80 415	NV	01.08.80	BERGE CHARLOTTE	(Francja)
D 536/1	27) Masowiec	38 130	76 273	NV	01.07.81	FRANCOIS L.D.	(Francja)
D 535/2	23) Zbiornikowiec	45 045	81 711	LR	01.12.81	ASPILUS	(Grecja)

(Table continued on next page)

# 12) STOCZNIA SZCZECIŃSKA IM. A. WARSKIEGO — SZCZECIN

D 92/7	Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.02.20	NEFTEGAZ-7	(ZSRR)	
B 92/8	Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.04.20	NEFTEGAZ-8	(ZSRR)	
D 92/9	Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.06.22	NEFTEGAZ-9	(ZSRR)	
D 92/10	18) Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.08.17	NEFTEGAZ-10	(ZSRR)	31)
D 92/11	Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.10.18	NEFTEGAZ-11	(ZSRR)	
B 92/12	Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.09.19	NEFTEGAZ-12	(ZSRR)	
D 92/13	Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.11.22	NEFTEGAZ-13	(ZSRR)	
D 92/14	Statek zaopatrzeniowy	(2 737)	1 329	RZSRR	01.12.19	NEFTEGAZ-14	(ZSRR)	
D 181/0	24) Kontenerowiec	14 020	24 000	GL	01.04.20	RUHO SEA	(HFR)	37)
D 181/10	Kontenerowiec	14 530	20 200	GL	01.12.17	ANDALUSIA	(HFR)	
D 127/1	27) Masowiec	21 623	32 813	LR	01.08.18	PINNIFALCON	(Finlandia)	38)

# 13) STOCZNIA „USTKA” — USTKA

D 275/1	Trawiery-krewetkowiec	(249)	89	RZSRR	01.03.31	LEDA	(ZSRR)	
D 275/2	Trawiery-krewetkowiec	(249)	89	RZSRR	01.05.31	MIYA	(ZSRR)	
D 275/3	Trawiery-krewetkowiec	(249)	89	RZSRR	01.07.31	TREPANG	(ZSRR)	
D 275/4	28) Trawiery-krewetkowiec	(249)	89	RZSRR	01.09.25	USTRITSA	(ZSRR)	31)
D 275/5	Trawiery-krewetkowiec	(249)	89	RZSRR	01.10.31	MAKTRA	(ZSRR)	
D 275/6	Trawiery-krewetkowiec	(249)	89	RZSRR	01.12.20	GOLOTUHIYA	(ZSRR)	
D 275/7	Trawiery-krewetkowiec	(249)	89	RZSRR	01.12.31	ARTEMIZIYA	(ZSRR)	

# 14) STOCZNIA „WISLA” GDANSK

KP-25	29) Katamaran pasażerski	834	81	PRS	01.09.20	ARUTIAN	(ZSRR)	31)
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# 15) STOCZNIA REMONTOWA „NAUTA” — GDYNIA

H-9003	30) Kółownik	114	34	PLS	01.03.30	PANDA	Gdańska Stocznia Remontowa	39)
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16) Wartości podane w nawiasach pomierzone wg zasad konwencji z 1969 r. (w jednostkach bez miara, pozostałe w tonach rejestrowych).

1. Ocean-going ships of capacities of 100 RT and more that have been completed and turned over for operation. Key: 1) symbol and construction number; 2) type of ship; 3) gross capacity\*; 4) tonnage; 5) classification supervision; 6) date of completion; 7) name of ship; 8) owner (country); 9) Gdansk Lenin Shipyards; 10) The Heroes of Westerplatte Northern Shipyard, Gdansk; 11) The Paris Commune Shipyards, Gdynia; 12) The Adolf Warski Shipyards, Szczecin; 13) Ustka Shipyards, Ustka; 14) Wisla Shipyards, Gdansk; 15) Nauta Ship Repair Yards, Gdynia 16) \*Parenthesized figures were measured according to the convention of 1969 (in dimensionless units, remainder in registered tons); 17) yacht; 18) freighter; 19) cargo vessel; 20) general cargo vessel; 21) refrigerated vessel; 22) trawler and processing ship; 23) tanker; 24) container ship; 25) fire boat; 26) fishing trawler; 27) bulk carrier; 28) shrimp boat; 29) passenger catamaran; 30) tugboat; 31) USSR; 32) Greece; 33) the Chinese-Polish Ship-Building Association; 34) Columbia; 35) Iceland; 36) France; 37) West Germany; 38) Finland; 39) Gdansk Ship Repair Yards.

2. Zbiorecze zestawienie produkcji statków morskich o pojemności brutto od 100 RT wzwyż

1)	2)	3)	4)		7)			10)	
			Liczba statków		Łączny tonaż rzeczywisty			Łączna moc silników napędu głównego	
			5) dla kraju	6) na eksport	pojemność	8) brutto	9) netto	(kW)	(PS)
Symbol budowy	Rodzaj statku	Stocznia			(RT)	"	(RT)		
B 79	11) Jacht	Stocznia Gdańska 25)	—	1	347	—	18	228	310
B 92	12) Statek zaopatrzeniowy	Stocznia Gdańska	—	1	—	3 737	1 329	5 300	7 200
B 93	12) Statek zaopatrzeniowy	Stocznia Szczecińska 26)	—	0	—	21 006	18 633	42 400	57 000
B 99	13) Statek pożarniczy	Stocznia Północna 27)	—	4	—	0 032	1 269	17 280	23 520
B 101	14) Kontenerowiec	Stocznia Szczecińska 26)	—	3	31 110	—	40 400	22 400	30 400
B 23	15) Trawiostro-krewetkowiec	Stocznia USTKA 28)	—	1	—	1 743	623	3 804	5 250
B 27	16) Trawler rybacki	Stocznia Północna 27)	—	3	683	—	608	1 081	1 520
B 28	17) Drobniakowiec	Stocznia Gdańska	—	1	—	12 953	16 472	0 200	11 400
B 314	18) Drobniakowiec uniwers.	Stocznia Gdańska	1	—	—	10 248	15 023	1 950	10 800
B 319	17) Drobniakowiec	Stocznia Gdańska 25)	—	3	—	34 573	35 007	15 900	21 000
B 365	19) Chłodniowiec	Stocznia Gdańska	—	1	—	0 000	7 404	12 303	16 800
B 400	20) Trawler przetwórczy	Stocznia Gdańska	—	4	—	25 004	7 004	15 300	20 000
B 531	21) Masowiec	St. Komuny Paryskiej 29)	—	1	40 387	—	60 423	15 000	20 400
B 532	21) Masowiec	Stocznia Szczecińska 26)	—	1	21 020	—	32 013	0 100	11 100
B 539	21) Masowiec	St. Komuny Paryskiej 29)	—	1	20 130	—	30 373	0 213	11 200
B 102	22) Zdobornikowiec	Stocznia Gdańska 26)	—	3	33 900	—	33 823	20 500	28 000
B 105	22) Zdobornikowiec	St. Komuny Paryskiej 29)	—	1	40 003	—	60 711	14 000	19 000
B 100	23) Białowik	St. Remontowa NAUTA 30)	1	—	114	—	30	600	821
KP-3	24) Katamaran pasażerski	Stocznia Wiska 31)	—	1	954	—	81	600	1 100
Razem 32)			2	41	251 963	114 493	453 635	120 771	160 611

3) Podział produkcji wg stoczni:

34) Stocznia im. Komuny Paryskiej — Gdynia	—	3	111 882	—	000 000	11 200	50 000
35) Stocznia Gdańska im. Lenina — Gdańsk	1	12	54 207	59 130	173 710	04 013	114 000
36) Stocznia Szczecińska im. A. Warskiego — Szczecin	—	10	84 713	21 000	83 813	72 900	80 000
37) Stocznia Północna im. Boh. Westerplatte — Gdańsk	—	7	683	0 073	1 133	19 131	20 000
38) Stocznia USTKA — Ustka	—	7	—	1 743	623	3 804	5 250
39) Stocznia WISLA — Gdańsk	—	1	404	—	81	600	1 100
40) Stocznia Remontowa NAUTA — Gdynia	1	—	114	—	30	600	821

4) Podział produkcji wg odbiorców:

42) Grecja	—	3	01 003	12 981	000 183	27 618	30 100
43) Liberia	—	3	13 908	—	03 572	20 500	20 400
44) Norwegia	—	1	40 387	—	60 423	15 000	20 400
45) Republika Federalna Niemiec	—	3	20 110	—	40 800	22 400	30 400
46) Francja	—	1	20 130	—	30 373	0 213	11 200
47) Finlandia	—	1	31 015	—	30 813	0 130	11 100
48) Kolumbia	—	3	—	34 573	35 007	15 900	21 000
49) Związek Radziecki	—	30	610	60 423	60 413	00 313	112 310
50) Polska	—	1	114	10 248	10 200	0 020	11 221
51) Islandia	—	3	403	—	600	1 071	2 520
52) Bułgaria	—	1	347	—	18	228	310

53) \* Podane wartości pomierzone wg zasad konwencji z 1969 r. (w jednostkach bez miar).

2. Tabulation of the production of ocean-going ships of capacities of 100 RT gross tons and above. Key: 1) construction symbol; 2) type of ship; 3) shipyard; 4) number of ships; 5) for Poland; 6) for export; 7) total actual tonnage; 8) gross capacity; 9) tonnage; 10) total power of the main motor; 11) yacht; 12) supply ship; 13) fire boat; 14) container ship; 15) shrimp boat; 16) fishing trawler; 17) cargo vessel; 18) general cargo vessel; 19) refrigerated vessel; 20) trawler and fish-processing ship; 21) bulk carrier; 22) tanker; 23) tugboat; 24) passenger catamaran; 25) Gdansk Shipyards; 26) Szczecin Shipyards; 27) Northern Shipyards; 28) USTKA Shipyards; 29) Paris Commune Shipyards; 30) NAUTA Shipyards; 31) Wiska Shipyards; 32) total; 33) Production by shipyard; 34) Paris Commune Shipyards, Gdynia; 35) Lenin Shipyards, Gdańsk; 36) Warski Shipyards, Szczecin; 37) Heroes of Westerplatte Northern Shipyards, Gdańsk; 38) USTKA Shipyards, Ustka; 39) WISLA Shipyards, Gdańsk; 40) NAUTA Ship Repair Yards, Gdynia; 41) Production according to purchasers; 42) Greece; 43) Liberia; 44) Norway; 45) West Germany; 46) France; 47) Finland; 48) Columbia; 49) USSR; 50) Poland; 51) Iceland; 52) Bulgaria; 53) \*Figures measured according to the convention of 1969 (in dimensionless figures).



### 3. Charakterystyka techniczna statków morskich zbudowanych w roku 1984

1) Rodzaj statku Symbol budowy Nazwa pierwszego statku zbudowanego w roku	2) Wy- m. rejestr. L D II T [m]	3) Pojem- ność brutto* Pojem- ność netto* [t]	4) Silnik główny		7) Prądnice			11) Stocznia	12) Bandera Prędkość [węzł]
			5) Wytwórca projektant typ	6) moc [kW] [KM] obr/min	8) liczba i moc [kW]	9) napię- cie [V]	10) rodzaj prądu		
1	2	3	4	5	6	7	8	9	10
Jacht 13) D 79 KALIAKRA	27,98 8,00 5,45 3,75	247 74 78	ZM im. M. Nowotki Henschel 27) TS H 13	220 (310) 1400	2X300 1X300	400 400	przem. 31)	Stocznia Gdań- ska im. Lenina 32)	Bułgarska 40) 19
Statek zaopatrze- niowy 14) D 81 NEFTEGAZ-7	71,45 15,95 7,20 4,90	(2 737) (821) 1 329	ZUT Zgoda 28) Sulzer SZL 40/48	2X2000 (2X2000) 500	3X300 1X300	400 400	przem. przem. 31)	Stocznia Szczecińska oraz Sto- cznia Gdańska 33)	radziecka 41) 13,3
Statek potarniczy D 84 VIKIR-3 15)	65,10 14,83 6,40 4,70	(2 008) (682) 425	ZPM II. Cegielski Sulzer 16AV 25/20 29)	2X2100 (2X2100) 750	3X400 1X300	400 400	przem. przem. 31)	Stocznia 34) Północna im. Bohaterów Westerplatte	radziecka 41) 18
Kontenerowiec D 101 EURO SEA	171,20 29,20 12,44 9,30	18 510 10 453 20 200	ZPM II. Cegielski Sulzer 61ND 68M	11 200 (15 200) 150	1X1100 2X600 1X320	400 600 400	przem. przem. 31)	Stocznia Szczecińska im. 35) A. Warskiego	RFN 42) 19
Trawler-krewetko- wiec 17) D 215 LEDA	20,48 8,00 4,00 3,20	(240) (71) 89	ZPM II. Cegielski Sulzer 6AL 20/21	850 (104) 910	2X100	400	przem. 31)	Stocznia 36) USTKA	radziecka 41)
Trawler rybacki D 277 GIDEON 18)	21,82 8,21 6,33 3,83	221 70 138	ZPM II. Cegielski Sulzer 6ASL 20/21	817 (817) 1000	1X100 1X80	400 400	przem. przem. 31)	Stocznia 36) Północna im. Bohaterów Westerplatte	holenderska 43) 11
Drobnicowiec D 248 KRITI PENDOT	145,00 22,00 12,20 9,73	(12 551) (8 273) 16 473	ZPM II. Cegielski Sulzer 61ND 68M	6 200 (11 400) 150	2X320	450	przem. 31)	Stocznia Gdań- ska im. Lenina 32)	grecka 44) 17
Drobnicowiec uniwersalny 20) D 340 JAN DŁUGOZ	148,77 24,00 12,70 9,30	(12 240) (7 033) 11 622	ZPM II. Cegielski Sulzer 61ND 68M	7 950 (10 000) 150	2X700	400	przem. 31)	Stocznia Gdań- ska im. Lenina 32)	polska 45) 17
Drobnicowiec 19) D 340 SIMON BOLIVAR	148,22 24,81 15,88 9,70	(12 280) (8 487) (16 618)	ZPM II. Cegielski Sulzer 61ND 68M	7 950 (10 000) 150	4X1000	450	przem. 31)	Stocznia Gdań- ska im. Lenina 32)	kolumbijska 46) 10,9
Chłodniowiec D 363 ARVID PELSIE 21)	128,00 21,40 12,40 8,15	(8 900) (3 379) 7 406	Stocznia Gdańska B&W 30) SKERGFC	12 305 (16 800) 145	4X800 1X100	400 400	przem. przem. 31)	Stocznia Gdań- ska im. Lenina 32)	radziecka 41) 21,7
Trawler przetwórczy 22) D 400 PAVEL STRELTSOV	85,73 15,30 7,00 5,97	(3 816) (1 144) 1 790	ZUT Zgoda Sulzer 28) SZL 40/48	3 823 (5 200) 520	1X1200 2X800 1X100	400 400 400	przem. przem. przem. 31)	Stocznia Gdań- ska im. Lenina 32)	radziecka 41) 10,3
Masowiec 23) D 535 BERGE CHARLOTTE	241,94 32,34 18,00 12,10	60 200 27 873 67 425	ZPM II. Cegielski Sulzer 24) SHL 90	19 000 (30 400) 80	2X1000 1X800 1X300	450 450 450	przem. przem. przem. 31)	Stocznia im. Komuny Paryskiej 37)	norweska 47) 10,0
Masowiec 23) D 537 FINNFALCON	181,05 23,23 12,12 9,65	31 625 11 107 32,813	Sulzer Bros Sulzer 61LD 68	9 100 (11 100) 224	2X800 1X244	400 400	przem. przem. 31)	Stocznia Szczecińska im. A. Warskiego 35)	fińska 48) 14,3

1	2	3	4	5	6	7	8	9	10
Masowiec B 538 23)	173.84 28.89 15.43 11.78	20 130 11 703 10 273	ZPM H. Cegielski H&W 29) ALSTHOM	8 243 (11 300)	30/720 1X300	400 400	przem. przem. 31)	Stocznia im. Komuny Paryskiej 37)	francuska (43) 14.8
Zbiornikowiec B 552 PROTEUS 24)	184.34 28.83 15.92 12.19	20 950 13 469 48 093	ZPM H. Cegielski Sulzer 29) TUNSD 70	10 250 (14 000)	30/1150 1X130	400 400	przem. 31)	Stocznia Gdań- ska im. Lenina 32)	liberyjska (50) 15.9
Zbiornikowiec B 555 ASPILOS 24)	225.94 41.60 18.73 12.15	45 005 31 826 81 711	ZPM H. Cegielski Sulzer 29) GIND 903	14 010 (19 000)	30/720 1X100	400 400	przem. przem. 31)	Stocznia im. Komuny Paryskiej 37)	grecka (44) 15.6
Holownik H-900 PANDA 25)	23.45 6.81 3.56 2.00	114 9 34	ZMP H. Cegielski Sulzer 29) GAL 25/20	400 (324)	1X10	400	przem. 31)	Stocznia Heronowa NAUTA 38)	poliska (45) 12
Katamaran pasażerski KP-3 AKHITIAR 26)	23.78 11.45 4.41 2.70	634 373 81	ZPM H. Cegielski Sulzer 29) GAL 28/24	2X450 (1X350)	2X100	400	przem. 31)	Stocznia WISLA 39)	radziecka (41) 13

\* Wartości podane w nawiasach pomierzono wg zasad konwencji z 1969 r. (w jednostkach bez miar), porównanie w tonach rejestrowych. 51)

3. Technical characteristics of ocean-going ships built in 1984. Key: 1) type of ship, construction symbol, name of first ship built in 1984; 2) dimensions at registration, L, B, H, T (meters); 3) gross capacity\*, net capacity\*, tonnage; 4) main engine; 5) manufacturer, designer, type; 6) power, kW (KM), rpm's; 7) generator; 8) number and power (kW); 9) voltage (V); 10) type of current; 11) shipyard; 12) flag, speed (knots); 13) yacht; 14) supply ship; 15) fire boat; 16) container ship; 17) shrimp boat; 18) fishing trawler; 19) cargo ship; 20) general cargo ship; 21) refrigerated vessel; 22) trawler and processing boat; 23) bulk carrier; 24) tanker; 25) tugboat; 26) passenger catamaran; 27) M. Nowotko Machinery Factory; 28) Zgoda Engineering Equipment Plant; 29) Hiram Cegielski Works, Poznan; 30) Gdansk Shipyards; 31) alternating; 32) Lenin Shipyards Gdansk; 33) Szczecin and Gdansk shipyards; 34) Heroes of Westerplatte Northern Shipyards, Gdynia; 35) A. Warski Shipyards, Szczecin; 36) USTKA shipyards; 37) Paris Commune Shipyards, Gdynia; 38) NAUTA Shipyards; 39) WISLA Shipyards; 40) Bulgarian; 41) Soviet; 42) West Germany; 43) Icelandic; 44) Greek; 45) Polish; 46) Columbian; 47) Norwegian; 48) Finnish; 49) French; 50) Liberian; 51) \*Figures in parentheses measured according to the convention of 1969 (in dimensionless units) while others are given in registered tonnage.

12261  
CSO: 2600/972

POLAND

## TRANSPORTATION INDUSTRY ADDRESSES REFORM PROBLEMS

Warsaw MOTORYZACJA in Polish No 3, Mar 85 pp 59-63

[Article by Mirosława Dąbrowa-Bajon: "Comments on the Economic Reform in Transport"]

[Excerpts] In February of 1983 a Team for Transport Matters, attached to the Commission for Economic Reform was formed. The leadership of the team was assumed by Dr. Mirosława Dąbrowa-Bajon. Many representatives from the applied and theoretical fields of transportation are involved in the work of the team. These "Comments on the Economic Reform" presented here for the reader are the result of the multi-faceted work of the team which has been ongoing since the middle of 1984. It must be noted that in 1984 the team was involved in more detailed matters, among which was the determination of the price of transport in relation to the cost of the goods carried, the influence of ownership on the effectiveness of transport, the effectiveness and coordination of city transportation, and in the description of the principles of worker participation in the realization of transport activities. Although many of the problems indicated in the report have been solved or are in the process of being solved, the editors of MOTORYZACJA have published this material with the thought of presenting to its readers the complicated multi-faceted concept of the most immediate problems of transport in the context of economic reform.

### The Possibility of Implementing the Economic Reform in the Transport Field

In aligning the transport enterprises to the system and mechanisms introduced by the economic reform one meets with two types of conditions. On one side, these are derived from the fact that the regulations being introduced within the framework of the economic reform have been formulated chiefly from the point of view of industrial enterprises. They do not allow for the differing needs connected with the scope and conditions of the transport function. Because of this the subject of the work done by the Team for Transport Matters for all of 1983 was the planning of solutions which would enable the maximum compliance to the mandatory regulations by the transport industry, and to point out the necessary modifications of these regulations from the viewpoint of the transport situation. In later parts of this report we will give the specific postulates of the Team in this area.

The second group of reasons which make the implementation of the reform difficult is connected to the technical state and the economic situation of the

transport enterprises. The lack of investment over many years into transport, in relation to the needs created by the transport intensive Polish economy, the chronic undersupply of the transport sector in rolling stock by domestic industry (from the viewpoint of quality, quantity, and structure), the apparatus and materials for maintenance and modernization of network systems, and finally the under-development of the technical and maintenance sector have caused a degradation in transport capacity and degeneration of its permanent assets.

Ticket prices for rail transport, bus tickets on the PKS [Polish Motor Transport] and local services, the rates for rail freight shipments and domestic water transport are still producing a deficit and make self-financing impossible. National wage policies in respect to all transport enterprises have caused that the average wages in transport are lower than the national average wage. This causes a degradation of the material position of transport workers and creates the lack of conditions for filling vacant positions.

Maintenance work backlogs are growing, while the level of use is maintained through excessive overtime that is unsafe on some routes. Just as in the economy as a whole, additional difficulties are caused by an improper attitude toward work and the frequent low effectiveness of work.

In stressing the above-mentioned conditions it must be noted that the activities of the system and its administrative mechanisms cannot be treated as the only ones. That is why the Team, while working basically on the problems of the system and its administrative mechanisms, wishes most strenuously to indicate the necessity for;

- a general increase in the national production for the purpose of supplying transport in a modern way
- increased investment in development and modernization
- the creation of conditions which would raise the average rate of pay as a premise for increasing the effectiveness of transport activity
- an intensification in research; the object of which is the conservation of fuels and finding substitutes for deficit causing fuels, up to the time that the correct solutions are found to assume adequate fuel deliveries for satisfying needs

An Assessment Which Takes Into Consideration the Specifics of Transport in the Systematic Solutions of the Economic Reform

In the opinion of the Team it was not possible to obtain satisfactory results in implementing the reform in transport because of, among others, the following reasons:

- a proposal for a law concerning the office of the Transportation Minister has not been worked out



- since 1984 a worsening, in relation to previously binding solutions, of the possibilities for replacing worn out capital equipment in the transport enterprises
- the desired level and improvement in the relation of prices to cost of transportation services has not been achieved
- the proper financial conditions were not provided for enterprises that are receiving subsidies
- the accounting system for hard currency in enterprises that deal in international traffic has not been finalized
- the system of wage rates for transport workers has not been adjusted

#### Proposals for Supplementary System Solutions

Systematic solutions up to this time, including those which were accepted in 1984, do not assure the possibilities for effective functioning of the transport enterprises, and especially their development. In connection with this it is necessary to have supplementary systematic solutions in the economic reform and assure their function over the long term, which is a condition for stabilization, effective function, and development of transport. The team presents the following propositions for this field.

#### In the Sphere of Regulations and Organization

1. Advancement in implementing the reform requires the establishment of the appropriate regulations for normalization, but especially laws concerning the office of the Transportation Minister, road transport, the PKP [Polish State Railways] and P/L LOT [Polish National Airlines]. Attention must be given to the fact that along with the above-mentioned regulations the necessary executive orders must be issued. With the implementation of the new principles should come widely based activities of an informational and instructive nature which would be conducted by, among others, the social, technical, and economic organizations.
2. From the viewpoint of implementing the reform a matter that needs to be settled is the question of workforce self-government in the PKP enterprise.

#### In the Sphere of Price and Fee Policy

The basic premise of the proposed solution is the assurance of conditions for transport enterprises that would allow them to be able to self-finance their activities, that is so that they could cover their costs from income and to manage price increases which are necessary for financing the development needs of the enterprise and its workforce. This would provide the national economy a basis for measuring the true costs of transport.

## Principles for Managing Investments

The depreciation of capital goods in transport and the short usefulness period for automotive rolling stock (6 to 8 years) produce the need for assuring at least the replacement of this property. The principles of the present financial-economic system have no provisions for gathering development funds in sufficient quantities in the transport enterprises.

## Supplying the Technical Means

Supplying transport in durable goods, especially the means of transport and materials, has for years been a neglected function, in quality, quantity, and structure. In the next few years an actual replacement of rolling stock must take place, and supplies of materials must be sufficient to meet maintenance needs.

## Principles for Assigning Pay Rates

Pay rates in the transport sector are at a lower level than in the other sectors of the national economy while the systematic solutions and assigned preferences are not creating the possibilities for attaining the growth in average production as expected by the CPR [Central Annual Plan]. At the same time one must take into account the working conditions and the required qualifications in relation to those who work in transport. Because of this, it has been proposed that for the next few years, in transport enterprises, the principle of setting pay increases which are free from PFAZ obligations should be adopted. This should be done annually so that over three years the pay scales would surpass and then hold a lead of several percent over pay scales in industry.

## An Infusion of Hard Currency

A system must be instituted according to which hard currency resources used to pay Polish obligations for the transport of goods and persons in international commerce should be managed by the units responsible for making the transport decisions. This system would favor good management, and at the same time assure hard currency self-financing for the transport enterprises. Moreover, when selling transport services internationally (for example; when supplying a construction project) the transport enterprises which participate in the export as subcontractors or service compensatory transactions, should have the right to receive a share of the hard currency on general principles.

## Systematic Preferences for Smoothly Functioning Enterprises

The team has concluded that the mechanism used from 1982 to 1984 to create funds in an enterprise, based on a formula that used growth of production, has caused an undeserved degradation in enterprises where production never broke down, but in which reserves were mostly used up. To eliminate the phenomenon of "equalization to the bottom" it is necessary to assure systematic preferences for transport enterprises which have attained a high level of effectiveness. In this,

- income tax relief and greater credit for the purchase of new rolling stock as investment
- the use of releases from the obligation of contributing to PFAZ

#### The Influence of the Transportation Minister on the Instruments of Transport Policy

It is necessary to assure close cooperation of functional units with the Transportation Minister as the organ responsible for the national transport policy. The instruments of economic policy, including transport, are under greater influence of the functional units. It is necessary to greatly increase the influence of the Transportation Minister on these instruments so that the ministry could successfully realize the governmental transport policy.

12411

CSO: 2600/950

POLAND

## MINISTERIAL DECREE ON ALLOCATION OF ITEMIZED SUBSIDIES

Warsaw MONITOR POLSKI in Polish No 15, 26 Jun 85 pp 135-137

["Decree of the Minister of Finance of 28 May 1985 on the Guidelines and Mode of Allocating Itemized Subsidies"]

[Text] In accordance with article 51, paragraph 3 of the law of 3 December 1984 - Budget Law (DZIENNIK USTAW, No 56, item 283) and in conjunction with article 36, paragraph 2 of the law of 26 February 1982 on the finances of state enterprises (DZIENNIK USTAW, 1984, No 16, item 74; No 26, item 129; No 34, item 181 and No 54, item 275), article 73 of the law of 16 September 1982 - Law on cooperatives (DZIENNIK USTAW No 30, item 210 and 1983, No 39, item 176) as well as article 4, paragraph 6 and article 6 of the law of 26 February 1982 on prices (DZIENNIK USTAW, 1984, No 13, item 59) the following is decreed:

Paragraph 1.1. The present decree sets forth specific guidelines and procedures for allocating itemized subsidies to state enterprises and cooperatives.

2. Provisions of this decree do not apply to state enterprises in the communal economy and housing management, housing cooperatives, state agricultural enterprises, state farms, agricultural cooperatives, cooperatives of agricultural circles and agricultural services cooperatives.

3. Whenever the decree refers to:

- 1) a minister - the head of a national office and the board of a national cooperative are also included,
- 2) a ministry - the national office and national cooperative are also included,
- 3) an economic unit - a state enterprise, a cooperative, an enterprise of a national or local (branch) cooperative is meant and in individual cases specified elsewhere--also a branch of a state enterprise,
- 4) a product - goods and services are also included,
- 5) a selling price - this is to mean:
  - a) the price at which a product is sold less trade margins,
  - b) payment for services or a tariff rate.



Paragraph 2.1. Itemized subsidies can be allocated to finance:

- 1) production of goods for which official prices are set, if the selling prices of these goods are below justifiable prime costs of production or the prime cost of services rendered plus the profit of an economic unit,
  - 2) costs of seasonal storage of a stock of products,
  - 3) costs of transporting raw materials and products between enterprises,
  - 4) difference in prices used by an economic unit,
  - 5) expenses made on behalf of other economic units (e.g. coal equivalent).
2. Itemized subsidies can also be allocated to finance the production of goods for which regulated prices are set if this is justified by considerations of the economic or social policy of the state.
3. The list of products (groups of products) covered by itemized subsidies is established by other regulations.

Paragraph 3. Itemized subsidies are allocated from the credits of the central budget within the limits envisaged by the law on the budget.

Paragraph 4.1. The rates of itemized subsidies are fixed as a percentage of the value of products sold in selling prices (percentage rates) or as a quota per unit of product sold (quota rates).

2. The rates of itemized subsidies can also be fixed as the difference between a price specified by other regulations and the selling price or between procurement prices (differential rates) as well as in the amount of the trade margin or a segment of it.

Paragraph 5. The rate of itemized subsidy for a product for which a regulated price is fixed reduces the price of the product.

Paragraph 6.1. The volume of sales of the subsidized product calculated in selling prices provides the base for establishing the appropriate subsidy (base of subsidization).

2. The volume of sales of defective (rejected) products is not included in the base of subsidization.

3. In case of sales of goods which have been awarded state quality grades "Q" and "1," a quota corresponding to the increase in selling price due to the award of the grade is detracted from the base of subsidization.

4. If the rate of itemized subsidy is fixed as a quota or in the form of difference in prices, the quantity of products sold or purchased provides the base of subsidization.

Paragraph 7.1. If an economic unit carries out sales of subsidized products at retail prices without the mediation of retail trade units, the quota of the itemized subsidy due is reduced by the quota of trade margins included in these prices.

2. The provisions of article 1 do not apply to the sales in factory outlets or other retail sales establishments operated by an economic unit.

Paragraph 8. Itemized subsidies are not allocated for products sold:

- 1) to be exported, **except** for the cost of transportation on inland waterways and in coastal shipping at domestic freight rates.
- 2) inside the country, if contract prices apply to the product, unless otherwise stated by other regulations,
- 3) in violation of regulations on the sale of rationed products.

Paragraph 9. The rates of itemized subsidies can be differentiated by competent organs and units in their decision on establishing the rates, depending on the level of profitability of products:

- 1) for sub-groups of products, assortment groups and specific products and, if unified rates are established for the duration of a year, also for particular times of the year (seasons),
- 2) for individual economic units,

provided that the weighted median of the differentiated rates cannot exceed the established rate.

Paragraph 10. If a compensatory account of internal prices is applied, the itemized subsidy can be allocated to the unit maintaining this account.

Paragraph 11.1. The itemized subsidy rates of products for which official prices are set are established on the basis of applications by competent ministers drawn up according to the sample formats in appendices 1 through 3 to the present decree, taking into account the proposals of economic units, with the exceptions elsewhere specified. If the product is turned out by more than one economic unit, the application should contain a proposal to establish a unified weighed median rate of itemized subsidy, except in the case of subsidies allocated in the form of price differentials.

2. The rate of subsidy for new products requiring the allocation of an itemized subsidy is established on the basis of a request by the minister of prices simultaneously with the introduction of a new price.

Paragraph 12. The rates of itemized subsidies for products with regulated prices are established on the basis of a request by the minister of prices, with the exceptions elsewhere specified.

Paragraph 13.1. Requests for establishing the rates of itemized subsidies must be submitted to the minister of finance before 15 March of the current year.

2. In case official prices of subsidized goods are increased in the course of a year, the quota of subsidies due an economic unit on the basis of rates in effect before the change of prices of subsidized goods is subject to a revision by the quota corresponding to the difference between the new and the old prices.

3. In the case outlined in article 2, itemized subsidies are calculated by applying the rates in effect to the value of sales in selling prices in effect before the price change.

4. With the consent of the relevant treasury office, an economic unit can calculate itemized subsidies by applying to the increased selling price the rate of itemized subsidy resulting from the following formula:

$$\text{rate, percent} = \frac{a - b}{c} \times 100,$$

where

a stands for the quota of itemized subsidy established by applying the subsidy rate in effect to the old selling price,

b stands for the difference between the new and old selling prices,

c stands for the new selling price.

The rate is calculated to the second decimal point.

5. Provisions of items 2 and 3 do not apply to seasonal changes in product prices.

Paragraph 14. The rates of itemized subsidies established for a given year are used until new rates are established.

Paragraph 15. Rates of itemized subsidy can be changed in less than 1 year if selling prices are lowered or the cost of production changes essentially due to changes in the prices of raw and other materials, in formulas, rates and tariffs as well as in cases when reviews or inspections of the established rates of itemized subsidy reveal that these rates result in excessive profitability above the actual cost reduction.

Paragraph 16.1. Economic units draw itemized subsidies directly from the account of budgetary expenses of the relevant ministry or the relevant treasury office on the basis of withdrawal authorizations within the limits of budgetary credit open for these purposes unless another mode of drawing the subsidy is envisaged by the decision setting the rates of itemized subsidy.

2. Economic units draw up the balance of due itemized subsidy for the period from the beginning of the year to the end of last month within 20 days of the month's end on Ministry of Finance forms 2096.

3. One copy of the balance accompanied by a withdrawal authorization is submitted by economic units to the relevant treasury office which, after verifying the balance within 5 days, gives its consent for the withdrawal of the subsidy in the amount specified in the balance from the account of budgetary expenses of the relevant ministry or treasury office (by endorsing the submitted withdrawal authorization).

4. One copy of the balance referred to item 3 endorsed by the relevant treasury office for periods of half a year and 1 year is submitted by economic units to the relevant ministry.

Paragraph 17.1. Before 28 January of a given year, economic units can draw the prepayment of itemized subsidy in the amount of one-twelfth of that planned for the year in progress, through the procedure outlined in paragraph 16. If an economic unit has not prepared a plan which allows the amount of prepayment to be calculated, the amount corresponding to one-twelfth of last year's subsidy is substituted.

2. If an essential change is made in the plan for a given year after the prepayment has been drawn, the amount of prepayment can be adjusted to the level resulting from the current plan.

3. If the manufacturing of a subsidized product is started after the year began, the relevant economic unit can obtain the prepayment of itemized subsidy until the 28th day of the month following the one in which the manufacturing began.

4. The obtained prepayment is detracted when the itemized subsidy is balanced for the month of December of a given year.

Paragraph 18.1. The economic unit is obligated to revise the amount of due itemized subsidies if:

- 1) the product for which the subsidy has been allocated has been returned to the supplier,
- 2) the value or volume of sales has been adjusted due to reasons other than those referred to in point 1,
- 3) it has been established that inappropriate rates have been used in calculating the amount of subsidy received for products not covered by subsidization.
- 4) the rate of subsidization has been changed for the period for which subsidies have already been reconciled.



2. Reconciliation of itemized subsidy occurs for the month in which circumstances necessitating the adjustment arose.

3. If circumstances necessitating the adjustment arise after the reconciliation for the month of December of the year in which the subsidy was obtained the economic unit returns only the amount of surplus subsidy to the account of the appropriate treasury office not later than the deadline set for the final reconciliation of subsidies for the year.

Paragraph 19.1. If profits generated by an economic unit through the sales of all products to which regulations setting the rates of itemized subsidies apply exceeds the profits corresponding to the standard profit margin inflated by 50 percent, the surplus must be transferred to the account of central budget income at the appropriate treasury office.

2. The profit margin set for an economic unit according to the guidelines for price-setting in effect or the margin set in the decision on setting the rate of itemized subsidy is considered to be the standard profit margin.

3. Only justifiable costs outlined in the regulations on price-setting are taken into account in calculating the volume of profits referred to in item 1.

4. Economic units calculate and transfer the surplus referred to in item 1 for the period of:

1) half a year - prior to 28 July to the account from which the subsidy has been received,

2) a year - on the basis of annual balance sheets to the central budget through the account of budget revenues at the appropriate treasury office:

- a) tentatively - by the deadline set for submitting the balance sheet;
- b) definitively - within 10 days of the verification of the balance sheet.

Paragraph 20.1. Economic units receiving itemized subsidies are obligated to maintain records (in the book or non-book form) for purposes of reconciling subsidies in a way making it possible to determine the value (volume) of sales and prime cost of products for which separate subsidy rates are set as well as the amount of subsidy due.

2. If no records are maintained subsidies received by the economic unit must be returned.

Paragraph 21. The decree takes effect on the date of publication and applies to itemized subsidies due for the period beginning on 1 January 1985, provided that the provisions of paragraph 20, item 3 are applied from 1 July 1985.

Minister of Finance S. Niecekarz

9761

CSO: 2600/971

POLAND

EXPORT-IMPORT TRADE DEALS SIGNED AT POZNAN FAIR

Big Hungarian Credit Line

Warsaw RZECZPOSPOLITA in Polish 12 Jun 85 pp 1, 4

[Text] The third day of the 57th MTP [Poznan International Fair] was already a day of business in full swing. Reporters from PAP visited a dozen or so Polish and foreign exhibitors. Discussions continued from morning on in the exhibition facilities. The details of future agreements and business contacts were settled and export-import agreements signed.

An example of the entering on an increasingly broader scale into coproduction-specialistic unions with CEMA member countries are agreements reached by UNITRA and METAEXPORT. The first of these ventures involved the signing of an agreement with Hungary and the USSR. "The contract with Hungarian contracting parties," stated the general manager of UNITRA, Zygmunt Piotrowski, "overshadows all the achievements to date of our venture in the area of coproduction with this partner. The Hungarian television set industry bases its growth during the coming 5-year period on the supply of picture tubes from Poland. Between 1986-1990, we shall manufacture 1.1 million color picture tubes of all types and dimensions for the needs of that country's consumers. The most important part of the agreement is that Hungary will grant credit in the amount of \$40 million and 125 million rubles for equipping the plants in Piaseczne with new equipment and machinery." Manager Piotrowski emphasized that the existence for 10 years now of the Polish-Hungarian INTERKOMPONENT bureau contributes to the high degree of success in the area of cooperation with Hungary. During this period, mutual deliveries of electronic products between our countries, which are also the result of agreements on cooperation and specialization, have increased tenfold.

In turn, UNITRA's contract with the Soviet ELORG organization amounts to 25 million rubles. This amount will enable us to import from the USSR various elements vital to the electronics industry such as condensers and integrated circuits. ELORG is also connected to METRONEX. Our head office sends to the USSR computer equipment including printers, perforators and other peripheral equipment. Businessmen from METRONEX are predicting the signing of a multi-million contract for the export of this equipment to the USSR.

On the other hand, METAEXPORT has entered into an agreement with the Soviet STANKOIMPORT headquarters in the amount of 104 million rubles. We shall deliver to the USSR 700 machine tools, 460,000 electromagnetic clutches as well as lathe chucks and other machine tool parts. From the USSR, we shall purchase several hundred machine tools of a different type as well as machinery for plastics processing.

Intensive talks are also being conducted with representatives of western companies. Many of the talks are already being concluded in the form of agreements.

On Tuesday, the exhibitors from Belgium, Finland, Colombia, the FRG as well as Koln and Lubeck (FRG), which appeared independently, celebrated their international days at the MTP.

#### Breakdown for East, West Deals

Warsaw RZECZPOSPOLITA in Polish 15-16 Jun 85 pp 1, 2

[Text] The closer to the end of the 57th Poznan International Fair, the livelier the pace of the conducted trade negotiations: the number and value of signed agreements is increasing.

To date, 1,500 export-import and coproduction contracts have been negotiated for a total value of over 70 billion zlotys. We have negotiated the most number of export contracts including long-term contracts with socialist countries among them being our largest trade partner--the Soviet Union, as well as with the GDR, Bulgaria, the CSSR and Hungary. As far as Western countries are concerned, we have so far signed the largest export agreements with firms from the FRG, France, Sweden, the USA and Italy.

As in the first days of the fair, so after the "halfway mark" of the Poznan International Fair the dominant products from among the signed agreements for our manufactured goods are those of the electromachinery industry exported by enterprises and foreign trade ventures such as METRONEX, METAEXPORT, UNITRA, CENTROZAP, VARIMEX and POLMOT. From among the last more important contracts, the following should be mentioned among others: POLMOT's agreement to sell to the USSR, "Nysa" and "Zuk" delivery trucks for a value of 2.5 billion zlotys and 1,200 "Jelcz" trucks to Yugoslavia for a total value of 12 billion zlotys. It should be noted here that at the same time, we have purchased 750 buses in Yugoslavia for the same amount. UNITRA has also sold to Yugoslavia a series of color TV picture tubes and electronic subassemblies for 1.2 billion zlotys. In turn, ELEKTRIM will this year deliver to France, conduit systems for 92 million zlotys whereas UNIVERSAL will export enameled products to Italy, Switzerland and Great Britain and industrial ventilators to the CSSR.

From among the agro-food exports of ROLIMPEX the following should be mentioned: medicinal herbs, chestnuts and vegetable seeds to the FRG in the amount of 221 million zlotys and frozen foods sold by POLCOOP to the USA, Canada, Denmark, the FRG, Sweden and Switzerland in the amount of 424 million zlotys whereas ARGOS has sold 1,100 tons of various kinds of fruit for 114 million zlotys.

We are also negotiating agreements for the services of our enterprises abroad; e.g., BUDIMEX has signed eight contracts for construction-assembly work in the GDR, Bulgaria and the CSSR valued at 1.1 billion zlotys while CENTROZAP signed an agreement with the GDR for the building of an electrode graphitization plant in that country for 7 billion zlotys.

From among the purchases, we should mention the contract signed by PEZETEL for the import from the CSSR of "Java 350" motorcycles and motorcycle sidecars [przyczepa motocyklowa]. Among the import contracts of UNIVERSAL, there are also motors for motorbikes. TORIMEX purchased children's underwear and blankets in the GDR and COOPEXIM--embroidered blouses from Bulgaria. From Austria, we will import, among other things, men's jackets and wine and champagne from the USSR.

On the 14th of this month, the following PZPR Central Committee Politburo members became acquainted with the Polish and foreign exhibition at the MTP: Stanislaw Kalkus, Stanislaw Opalko and Jerzy Romanik.

#### Wrap-up Report on Fair

Warsaw RZECZPOSPOLITA in Polish 17 Jun 85 pp 1, 2

[Text] On Sunday, the 19th of this month, the 57th Poznan International Fair came to an end. The results of initial computations reveal that Polish foreign trade head offices [centrale], which prepared themselves very diligently for this year's fair, negotiated approximately 1,500 contracts.

The day before the closing of the fair, the trade transactions were as follows: with countries of the first payments area--61.4 billion zlotys of which 34.3 billion zlotys is in exports and 17.1 billion zlotys in imports; with countries of the second payments area--3,148 million zlotys of which 2,529 million zlotys is in exports and 620 million zlotys in imports.

Of the more important contracts, it is worth mentioning POL-MOT's export transactions with the USSR dealing with the sale of "Nysa" and "Zuk" delivery trucks for a total value of 2.5 billion zlotys. UNITRA has signed several contracts with Hungary, Yugoslavia and Bulgaria for the export of color TV picture tubes (2.5 billion zlotys); METRONEX will sell complex automatic control engineering systems [automatyka] for 616.4 million zlotys whereas ELEKTRIM will supply France with installation conduits for 92 million zlotys. In terms of imports, POLIMEX-CEKOP has negotiated several contracts for machinery and installations as well as services for the building of the Warsaw metro. On the other hand, the contracts signed with Switzerland, Sweden and the FRG are for the importing of machinery and installations for the pharmaceutical industry in the amount of 50.8 million zlotys. PEZETEL will import from the CSSR "Java" and "CZ" motorcycles for 191 million zlotys.

Thus results obtained thus far from the transactions point to the fact that traditionally the largest turnover of the Polish foreign trade head offices is with Soviet partners (38.8 million zlotys) followed by the GDR, the CSSR, Bulgaria, Hungary and the FRG.



During the fair, the annual contest for the gold medal award (of the 57th Poznan International Fair) was held. The award was given to 39 products which distinguished themselves with exceptional constructional, technological and functional qualities. The gold medal was awarded to 28 capital investment and 11 consumer products. In the group of investment products, 10 medals were awarded to Polish manufactureres whereas from among 11 medals for consumer products, 6 were given to Polish products.

On the day before the closing of the fair, the traditional annual competition for journalists organized by the management of the Soviet exhibit was decided. The team award for journalism in connection with the exhibit of the USSR at the 57th Poznan International Fair was given to the Soviet Union and socialist countries department of Polish Television [Telewizja Polska] in Warsaw.

First prize for the most comprehensive series of reports devoted to the Soviet exhibitors was awarded to RZECZPOSPOLITA fair reporter, Zygmunt Lenpe.

9853

CSO: 2600/825

POLAND

POLISH BANK OFFICIAL EXPLAINS DEBT RESCHEDULING

Warsaw TRYBUNA LUDU in Polish 17 Jul 85 p 1, 2

[Article by Mieczyslaw Wodzicki: "A Respite for the Polish Economy"]

[Text] As has already been reported, on Monday, 15 July, in Paris, a Polish financial-economic delegation signed an agreement with representatives of the governments of 17 Western countries which make up the so-called "Paris Club," to whom our country is in debt.

The agreement signed, as reported Tuesday to a group of journalists by the director of the foreign department of the Polish National Bank (PNB), Grzegorz Wojtowicz, commits the Club's signatories to a restructuring of the Polish debt which remains to be paid for the period 1 January 1982 to 31 December 1984 (talks conducted on this subject in 1981 were broken off). The debt consists of loans and credits guaranteed by the creditor countries. The total sum involved in the agreement amounts to \$12 billion.

The conditions of the agreement are as follows: The entire sum of the borrowed capital plus interest which fell due during 1982 to 1984, for credits which were granted or guaranteed by countries of the "Paris Club" and which pertained to agreements entered into prior to 1 January 1984, will be refinanced or postponed. The repayments will begin in 1991. Payments on part of the interest which was to have been paid this year as a result of postponed obligations from the 1982-1984 period will also be postponed. The size of the interest which we will pay on these sums will be established in bilateral talks with our creditors.

This agreement does not end the subject of the postponement of our indebtedness. Director Grzegorz Wojtowicz said that talks will begin soon on rescheduling of the capital and interest payments which fall due this year and the following years. They amount to a total of \$5.1 billion.

What does this agreement do for us? It officially regulates the repayment of the basic portion of our debt, the PNB representative said. In May of this year our total foreign debt amounted to \$27.4 billion, including \$4.6 billion in overdue interest. But although the payment schedule was postponed, the problem of regular interest payments remains. Therefore, this year we must pay \$2 to \$2.2 billion in interest. If we pay this amount during the entire grace period our debt will not increase.

We are well on the way to putting a halt to this increase. For the last 3 years we have had a favorable balance of trade with the West, and last year the surplus amounted to \$1.5 billion. We expect similar results this year. We estimate, therefore, that we will need approximately \$600 to \$800 billion in new credits in order to fully service our debt. The necessary efforts to obtain this have already been made.

After complicated talks over a 2-year period our creditors have recognized the socioeconomic progress which has been made in Poland, and the signing of this agreement is an expression of this recognition. It suggests that normalization of economic relations with the West is at hand. Thus Polish attempts to obtain membership in the International Monetary Fund and the International Bank for Reconstruction and Development are becoming more and more realizable.

The agreements which have been signed pave the way to normalization of our credit relations and lay the groundwork for expansion of industrial potential and export.

9295

CSO: 2600/976

POLAND

## ECONOMISTS CRITICIZE PRICE FREEZE POLICY

Warsaw ZYCIE GOSPODARCZE in Polish No 28, 14 Jul 85 p 11

[Article by Marek Misiak: "About Prices at Spala Forum"]

[Text] Not all discussions on the subject of prices are characterized by an equally broad confrontation of experiences and research results. Recognition in this regard is due a group of economists from Lodz who for the second time this year have organized an exceptional forum on the price reform in practice.\* The audience was primarily made up of enterprise representatives. The presenters of reports at both sessions came from the following communities: research workers, mainly from the Nonlocal Department of the Price Research Institute in Lodz, and directors of departments of the Price Administration in Warsaw.

The study results presented in the reports of the scholars exposed unreservedly all the inconsistencies of the current regulations. The necessity of exporting forces the devaluation of the zloty in relation to other currencies and it is difficult to avoid price increases on the domestic market under conditions of the zloty's imbalance. Meanwhile, producer prices are unsettled domestically. Prices for coal, energy and many other materials cannot catch up with world prices and also remain in disproportion to other prices on the domestic market.

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\* The organizers of the conference were: The Nonlocal Department of the Price Research Institute in Lodz, TNOIK [Scientific Society of Organization and Administration] and the Regional Price Administration in Lodz. The following presented reports: Jan Muzel, Wlodzimierz Weglarczyk, Napoleon Zabiello, Franciszek Stepniak, Janusz Wodzinski, Andrzej Wojtyra, Andrzej Misztal, Henryka Maj, Marian Stefanski, Maria Hajkiewicz, Ryszard Patury, Sabina Rachowska, Adam Wesolowski and Benjamin Wloszczowski (director of the Nonlocal Department of the Price Research Institute in Lodz and the main organizer of the conference).



On the other hand, there are prices including official prices, which attain a high level relatively easily.

The lack of pressure in the direction of maintaining and restoring realistic price proportions results in many cases from the overly easy access to subsidies which balance out the effects of incorrect price structures and also as a result of allocating them *no ex ante* but *ex post*. On the other hand, consumers of cooperative goods and services can continue to pay practically every price for the materials which they need. By manipulating the assortment and prices of finished goods or by having access to subsidies from the budget and from various balancing accounts and finally through tax allowances and exemptions (as a rule granted as recognition), they can usually quite easily come out in the clear.

It follows from the research of the Lodz economists that freezing agreed upon prices [*ceny umowne*] between 1983-1985 limited price inflation only partially because the price freeze regulations did not rule out price hikes resulting from the increase of so-called justified costs. Consequently, agreed upon prices, which were to balance out supply with demand, became a variation of regulated prices. The verification of the so-called justified costs is as a rule no easy feat even for internal audits hence, all the more for external audits. The attempt of limiting price increases by freezing them has also become a widespread additional pretext for successfully soliciting various subsidies and surcharges.

The negative consequences of the attempted freeze on agreed upon prices are evident in the worsening of the product assortment structure and in the low standard of quality and high material intensiveness of production. Enterprises seldom resign from an expensive supplier. This thesis pertains in its full extent to the consumer goods market. Such resignation is risky because it is possible to be left completely without supplies. As a result, supplies from, for example, the metallurgical industry have remained at a larger than required tonnage, longer series, etc. Fixtures in the building industry are usually heavier than necessary since this is "profitable" for its suppliers.

Subsidies, allowances and other consequences of price freezing are not just bookkeeping procedures between enterprises and the budget. Their consequences are, among other things, much higher possibilities this year than last year of wage payments from profit. The limiting of signs of open price inflation did not, therefore, halt and in many cases intensified inflationary preconditions which expressed themselves in increased nominal personal incomes and funds with which production and supplies of goods to the domestic consumer market cannot keep pace.

This is substantiated by the accepted direction of doing away with costs as predeterminants of price regulation. However, in the field of price setting it is easier to say what ought not to be done than what ought to be done.

One of the report presenters called the current period in the area of price setting a marriage of as yet not fully eliminated attempts at freezing agreed upon prices, which tolerate every price increase, and a certain liberalization based on a more extensive than previously permissibility of price differentiation also based on quality and production assortment. However, this is not as yet an institutionalized program of solution and we must take into account that for some time, we will observe in the area of price setting symptoms of the mutual elimination of the current and newly introduced mechanisms.

Among those posing and answering questions, there also appeared certain questions about the predicted state of price setting in the coming year. For some, unfreezing agreed upon prices signifies such a cost increase that it would threaten with unprofitability. Should they count on subsidies? Will they be able to threaten suppliers that without price restraints, which also entails costs, they [suppliers] will not find a market outlet for their production?

These uncertainties were not completely dispersed. And this is not what the conference was about. Restraining price pressure is not possible only by means of price policy alone. Both attempts at curbing inflation by means of a price freeze and a certain liberalization in the area of price setting, which is currently based on striving for greater product quality and assortment, may give more significant effects only on condition of concurrent, greater changes in the entire financial system and also provided that changes favoring efficiency in the practical sphere [sfera realna] are introduced.

9853

CSO: 2600/947

POLAND

POLISH-SOVIET SCI-TECH COOPERATION PLAN DRAFTED

Warsaw ZYCIE WARSZAWY in Polish 20-21-22 Jul 85 pp 1, 6

[News brief: "Delivery Van, Self-Propelled Cranes, Color Television Sets, Electromagnetic Clutches and Brakes. Polish-Soviet Cooperation. The Final Text of Planned Program for Scientific and Technical Progress Agreed Upon"]

[Text] While visiting Poland, the delegation of the USSR State Committee for Science and Technology and its vice-chairman, Michael Kruglov, visited a few Polish research and development centers and workshops. The Soviet guests had conversations with management personnel of the Office of Scientific and Technological Progress and Implementation.

Within the framework of those conversations and considering the recommendations of the 28th session of the Polish-Soviet Inter-Governmental Commission for Economic, Scientific and Technological Cooperation, an agreement was reached regarding the final text of the "Polish-Soviet Long Range Comprehensive Program for Scientific and Technological Progress." This program has been coordinated with the comprehensive program of scientific and technological progress of the Mutual Economic Aid Council member states for the next 15-20 years.

The program includes problems of automating economies of both states, a fuller satisfaction of demand for fuel and energy in both countries, development of biotechnology and food processing technology and development of quality merchandise for the market. Overall, out of a few hundred subjects of the Polish-Soviet sci-tech cooperation, over 80 were selected as the most important; and a system was established to implement the program. The program is expected to be signed by chairmen of both countries' committees for science and technology. The dates for signing and implementing various agreements and contracts were established, especially of those which will be executed during the years 1986-1990.

From among the selected subjects, four were assigned top priority. They are: design and development, up to the production phase, of a delivery truck having total allowable weight of 3.5 tons, a self-propelled crane having large lifting capacity, a color television receiver with digital signal conversion and a new generation of electromagnetic clutches and brakes.

On July 19 in Warsaw, Michael Kruglov, the leader of the Soviet delegation, and Minister Konrad Tott, the Manager of the Office for Scientific and Technological Progress and Development, signed the protocol with the chairman of the talks.

This is the next step leading to the conclusion of a multi-year Polish-Soviet program for sci-tech cooperation until the year 2000, stated Minister Tott talking to the journalists of the Polish Press Agency. We are very pleased not only because of the substance of the agreement but also because of what we could see at research and development centers.

M. Kruglov stated that we signed today a protocol in which, together with our Polish associates, we summed up the results of our efforts to date regarding the planned comprehensive program for scientific and technical progress in our countries until the year 2000. It is the result of enormous efforts in both countries. It covers 85 multi-disciplinary projects whose solution will permit to increase the scientific and technical potential and accelerate economic progress of both partners.

I wish to state that we had maintained close working relationships with the representatives of scientific and technical groups and pertinent ministries of the Polish People's Republic. All our partners approached the efforts with careful attention and understanding as they recognized their great significance and usefulness for both countries. Joining together the efforts of Polish and Soviet scientists and technical experts certainly will accelerate very much the time when the solutions of scientific and technical problems will be reached.

For instance, while visiting the industrial institute of construction machinery, we have come to the conclusion with the Polish specialists that the integration of efforts of our scientists, engineers and technical experts may shorten by half the time of designing and preparing production of the new generation of self-propelled cranes which are badly needed both in Poland and in the USSR. We will be able to export successfully this modern machinery to other member states of the Mutual Economic Aid Council and to other markets.

8801

CSO: 2600/964



POLAND

POLISH-CZECH COOPERATIVE AGREEMENTS

Warsaw ZYCIE WARSZAWY in Polish 13-14 Jul 85 pp 1, 2

[Article by Janusz Latoszka: "Active and Broad Cooperation. Deliveries to the Warsaw Metro. Polish Investments in Czechoslovakia", date line Prague 12 July ]

[Text] The next group of Warsaw Metro constructors is expected in Prague soon. During their 6 week stay, Polish engineers and technicians will learn about the organization and functioning of the Prague Metro operating services and operation of traffic safety equipment. Polish specialists will be also provided with the documentation regarding individual phases of metro construction here.

Since the beginning of last year, within the framework of bilateral Polish-Czechoslovak agreements regarding training of future Warsaw Metro employees, a few dozens of our technicians and engineers got acquainted with the operation of the Prague underground transportation.

The Polish and Czechoslovak Planning Commissions signed the initial agreement which obligates the Czechoslovak Socialist Republic to furnish many pieces of special equipment necessary for construction of the Warsaw Metro. During the years 1986-1990, the value of Czechoslovak deliveries will be at least 4 million rubles. Inter alia, the Warsaw Metro will receive over 200 hundred pumps of various types, both for deep shafts and auxiliary, and complete sets of escalators. The negotiations regarding Czechoslovak deliveries of ventilating and air conditioning equipments are in progress.

This initial agreement regarding delivery of Czechoslovak equipment for the Warsaw Metro certainly will be broadened in the future. We are interested, for instance, in buying Czechoslovak trucks and special cranes for metro construction.

The trade flows the other way too. Poland makes significant investments in the Czechoslovak Socialist Republic, such as refrigeration plants, sugar mills and chemical plants. For example: Where site preparation is still in progress, a most modern refrigeration plant for the Czechoslovak food processing industry will be erected. This plant, valued at almost 22 million

rubles, will be completed by Polish teams and will be handed over ready for operation. In accordance with the contract signed by Polimex-Cekop this plant will be handed over to the operators at the beginning of 1989.

This is our largest contract for refrigeration equipment for the Czechoslovak industry, says the director of our Polimex-Cekop delegation in Prague, Mr Wieslaw Golebiak. In this type of special construction, we have become true monopolists in Czechoslovakia. During the 40 years of our presence in this market, our teams constructed and modernized over 20 refrigeration plants. Currently, 7 refrigeration plants are underway. In the last few days we signed with Pragoinvest a 5-year contract covering the years 1986-1990. This contract covers the Polish-Czechoslovak cooperation in the field of refrigeration equipment. This agreement anticipates Polish participation in the construction and modernization of Czechoslovak refrigeration plants. At the end of 5 years, the value of this contract will be over 115 million rubles.

The about to end 5-year period (1981-1985) will show the Polimex-Cekop turnover amounting to a half billion rubles out of which 430 million was export. The plans for the coming 5-year period are anticipating the turnover or better. Regarding the export, Polimex-Cekop is definitely in the first place among Polish trading companies in the Czechoslovak Socialist Republic. This year's export will amount to 127 million rubles.

One of the biggest Czechoslovak sugar mills is the one in Hodonin which is currently enlarged and modernized by Polish teams. The value of this contract reaches 40 million rubles. Delivery date has been set for the fall 1986 before the sugar making season starts. The sugar mill modernized by the Polish teams has now production capacity of only 1,500 tons of sugar beets per day but during the next season it will have the capacity of almost 4,000 tons per day.

A job well done is an introduction to the next one. In accordance with the Polish-Czechoslovak agreement for the years 1986-1990, the value of Polish share of the Czechoslovak investments and modernizations of sugar mills will amount to 160 million rubles. The largest export job in the next 5-year period will be expansion and modernization of another Czechoslovak sugar mill in Uherskie Hradiszte. The value of this job is estimated at 50 million rubles.

Also, Poland participates significantly in the expansion of Czechoslovak chemical industry. Additionally, we specialize in building in Czechoslovakia the plants producing sulphuric acid.

8801

CSO: 2600/964

POLAND

ITALIAN COMPANY CHECKS OUT TRADE POSSIBILITIES

Warsaw ZYCIE WARSZAWY in Polish 19 Jul 85 p 4

[News brief: "Benefits of Cooperation. Polish Products under the Italian Christmas Tree"]

[Text] (From our own correspondent) From 15 to 18 July a delegation of an Italian trading company, Ipermarket, stayed in Poland. This visit had an exploratory character and it resulted from the cooperation agreement concluded between the Polish Foreign Trade Chamber and the Chamber of Commerce, Industry and Agriculture of Pavia, Italy, in May 1983.

The purpose of such an agreement, the first of this type in Italy, is to promote Polish products through trade fairs and exhibitions and to assure a continuing sales network. Probably, the first such exhibition will take place early next year and deliveries are scheduled to start this September.

Ipermarket is an established company on the Italian market. Its annual turnover reaches 90 billion lire (about 45 million dollars). It controls a net of five large stores (two new ones are under construction) in Lombardy and Piedmont frequented by about 300,000 steady customers annually.

Until now, Ipermarket traded primarily within the Common Market. Contacts with Socialist countries were limited to Yugoslavia and Czechoslovakia although the Pavia Chamber of Commerce also trades with the USSR, Hungary and Cuba.

Regarding Poland, the Italian partners discussed small, mobile radio receivers at the Unitra plant, wicker products at Coopexima, Gobelins and pictures painted on glass at Ars Polonia, ornamental glass and white wood products at Inco-Veritas and other products at Minex, Animex and Spolem.

8801  
CSO: 2600/364

POLAND

#### GASLINE PROGRESS, PROBLEMS DETAILED

Warsaw RZECZPOSPOLITA in Polish 15 Jul 85 pp 1, 7

[Article by Tomasz Bartoszewicz: "Construction of the Kobrin-Brzesc-Warsaw Gasline"]

[Text] Construction of the gas pipeline running from Kobrin in Byelorussia to Rembelszczyna near Warsaw is already entering its final stages.

On 10 July 1985 the lead welding party of the Zabrze GAZOBUDOWA Works was already working at the 125-km point (the Polish section is 167 km long), and is approaching the town of Losice. Ninety-two km of the pipeline are already finished and principal tests are now being made on another 20-km section.

Work has begun on running the pipeline across the Bug River along the town of Mielnik. Thanks to the good work of the crews from the Water Construction Enterprise in Warsaw and GAZOBUDOWA, the trench in which the gasline will be placed will be completed on schedule. The big stumbling-block, however, is that we do not know whether or not there will be anything to put into this trench, because HYDROBUDOWA-6 had problems in bending the pipe (1,000 mm) into so-called "bends" (the gasline drops here from a high shore to the bottom of the river). The possibility of bending the pipes on USSR territory was considered, but such an operation would be very complicated due to transportation difficulties. In any case, if the bends are not delivered to the site by 25 July, the entire river operation which has cost over 150 million zlotys may go to naught.

Another problem which keeps director Bogumila Nawrocka from the Mazowiecki District Gas Works, the investor in the entire undertaking, awake nights, is the construction of the "Podlasie" stamping press in Holowczyce. Thus far, the matter of electric-power supply has been taken care of--in any case it will be necessary to construct as much as 148 km of high-voltage (220 kv) grid. ELBUD in Warsaw, ELBUD in Lublin, and ELEKTROMONTAZ in Lublin, will do this and will be on the worksite in August. However, there still are no contractors to do the construction work. If a contractor is not assigned by the end of the third quarter, director B. Nawrocka said, the entire gasline construction schedule will be disrupted. After all, the stamping press was supposed to have been put into operation during the first three months of 1988. Special machinery from the GDR will arrive in 1986, and it now appears that there will not even be place to store this machinery.



The investor believes that the gasline building schedule must be adhered to without deviation. The meeting of the lead constructors from the Polish and Russian sides is planned for mid-December, so that the first gas can flow in January 1986.

If the schedule is to be maintained, all contractors must be fully mobilized. The people themselves are really doing their best, but working conditions are very difficult. In addition to other problems, there is the problem of lack of food for the work crews. For example, Nawrocka reports, there is a shortage of bread, because the authorities of Siedlce Province did not take into consideration that they will be hosts to a 400-man workforce from GAZO-BUDOWA. There are also problems with fuel. Sometimes the heavy equipment stands idle while the people curse.

Completing the gasline on schedule is of enormous importance to the entire national economy, which is waiting for additional deliveries of gas from the USSR. Those building it, therefore, have the right to expect better understanding on the part of the local authorities.

9295

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POLAND

## ASPECTS OF CONSUMER GOODS PICTURE DETAILED

Warsaw POLITYKA in Polish 8 Jun 85 p 5

[Article by Joanne Solska: "Walking Backwards"]

[Excerpts] Industry has been functioning according to the scale of priorities determined by the government for the past 4 years now. This scale consists of operational programs and government orders for goods which are regarded as most essential, and for which raw and fabricating materials are centrally provided, as well as the financing. Among other things, they consist of mechanized farm equipment, shoes and clothing for children and young people, underwear and cleaning agents. Increased production of these items should therefore be most perceptible. And, from a statistical standpoint, it is.

If we compare deliveries which are anticipated in 1985 with 1980 deliveries (the year of the steepest "slump"), then the availability of merchandise in stores will be increased by the following percentages: washing machines and dryers, 19 percent; automatic washing machines, 25.5 percent; refrigerators and freezers, 42.4 percent; radios and tape recorders, 58.1 percent; shoes, 23.8 percent; clothing, 30 percent.

The Statistician May Be Satisfied. The Buyer--Less So.

The trade estimates that demand for spin-dry washing machines and clothes dryers will be met by approximately 70 percent, automatic machines by 75 percent, refrigerators and freezers up to 90 percent, radios by 70 percent, black and white television sets by 50 percent (the price discouraged our appetite for colored sets, and in that way the demand matched the supply), clothing by 50 percent, furniture by 85 percent, cotton fabric by 47 percent, woolen fabric by 70 percent, enamel and aluminum cookware (in one word, pots) by 50 percent.

It should be added that this data likewise includes imports, which in relation to certain articles is very significant. For example, up to 500,000 refrigerators and freezers will be imported this year; 185,000 conventional and automatic washers from the USSR and Czechoslovakia; more than 15 million articles of Chinese clothing. On the other hand, even in these most essential of articles, domestic industry registers a "growth rate" of barely several percent, or none at all. And continues to aspire to attain

the production of 1979 as the realization of its dreams. Which, in spite of the fact that from today's perspective we evaluate it differently, it is difficult to regard it as a period in which we enjoyed a state of market stability under much greater importing capabilities.

However, in order to provide a moderately complete portrayal, we cannot illustrate only its brightest sides. Hence, several remarks concerning goods which we find difficult to give up, and whose production was not included in any priorities. Among other things, these consist of a whole group of accessories and sporting-tourist clothing.

If once more we refer to the year 1979, the available supply in that line does not even approach one-half the volume of that period. Whereas, producers, in order to avoid remaining idle, resorted to the manufacture of things either included in operational programs or government orders, because such a move guaranteed them material supplies. For example, the plants in Legionowo, specializing in the production of excellent tents; they also make short overcoats for children. And meanwhile buyers, soundly shaken by prices from organized tourism, are furiously in search of equipment which could make a private vacation possible for them.

And again some figures. This year's need for tents is estimated by the trade to be 200,000, but meanwhile the supply plan anticipates 33,000 for the marketplace, (in 1979 the marketplace received 147,000).

Let us leave tourism, for in other non-priority lines it is the same. Only 40 percent of the need for towels is satisfied; cotton blankets, 25 percent; and industry systematically lowers the supply, because it not only lacks raw materials, but primarily the machinery parts is "falling apart."

#### Price Manipulation

With supplies such as they are, it is necessary to spend considerable time in line in order to be able to spend money, with no guarantee of success. The term "manipulated money" does not become outdated, or becomes outdated too slowly. What is worse, new price manipulation begins to appear.

In order to check the escalation of retail prices, after a change in the prices of consumer goods the former were forbidden to advance more than 10 percent. However, because costs cannot be suppressed by a similar order, it was necessary to show producers several methods which make it possible to circumvent them.

One of them makes possible an additional 10 percent price increase for attaining a "1" and up to 20 percent for the label "Q". And this represents an increase which is not subject to taxes, and therefore remains completely within enterprise. Unfortunately, this is not a method that created a stampede. And after all it is only an increase like this that is easiest for the buyer to swallow. Because it gives him hope that he is purchasing a better piece of equipment which will not require frequent repairs, which are often impossible because of the shortage of spare parts.

The method supporting the caption "a luxury" aroused the greatest clamor. Refrigerators with a capacity of over 200 liters, and the so-called licensed Singer sewing machines and many many other items were classified as a luxury item and hence became more expensive. (But only the price change, as for the article itself it resists any modification whatsoever, even cosmetic). The trade estimates that this method accounted for 35 to 40 percent of industrial articles delivered.

Unfortunately, even the experts, to say nothing of the buyer, cannot always discern any logic whatsoever. Identical socks which come to the marketplace from one plant as standard, have been successfully classified as a luxury by another, and priced accordingly in conjunction with this. Pantyhose suddenly became a luxury with a double wedge for stouter women, and these are confronted with the alternative either to lose weight or pay 330 zlotys for a pair. However, the quality cannot be improved.

And the trade and industry do not conceal that this policy of manipulation with the inscription a "luxury" is by no means the result of a change in our understanding of the subject. Industry simply does not possess the means for essential modernization; holding price increases to 10 percent further serves to aggravate its financial status, hence in order to avoid stifling production, it is necessary to create an outlet. Luxury, indeed!

Unfortunately the buyer has little understanding of this. On one hand he should have the impression that he is being shielded from excessive increases. On the other hand, that which was standard yesterday and has mostly remained as such in his perception, appears to be a luxury. The price does not even reflect anything, and least of all, the principles of economics.

This is aggravated by a spontaneous impression, the work of the taxman, who with an instrument called the turnover tax seems to function somewhat blindly. The example is insignificant, but irritating: elastic for panties. Until recently there was none at all. Earlier, when it was available, its price included a 30 percent turnover tax, and for example, a meter of elastic from Lenta cost 41 zlotys and 50 grosz. Today elastic from the same manufacturer (the trade maintains it is worse) costs 105 zlotys per meter, and the turnover tax was raised to 70 percent. To make it even more absurd, the industry is "swamped" with elastic. The trade accepts 60 to 70 million meters of the 90 million meters offered, which likewise influences the price. The elastic has become more expensive than the panties.

Another example--men's shirts. And these are in short supply. Cloth is available, but there is a lack of tailors. Last year the trade purchased some shirts in Yugoslavia. Then it discontinued importing, although it had and continues to possess the funds for approximately 3 million more. Why? Well, there is a 20 percent tax on each shirt from Yugoslavia, which of course must be calculated in the price. But recently the taxman added a 30 percent turnover tax to this price, in essence collecting one-half of the price. In this manner the Yugoslavian shirt would now have to cost 1800



to 2000 zlotys, and this, the trade fears the buyer could not just tolerate. Hence shirts are not imported. Who benefits? Unfortunately, more examples of a similar nature can be given.

The appetite of the taxman is understandable, because it is necessary under present conditions. However, his activities should express a deeper sense, and not one given only to gouging whenever possible.

#### Trade Gets Its Knuckles Rapped

It is possible that I am mistaken, but it seems to me that several years ago there were more (although again not that many) advocates for introducing so-called price stability for manufactured goods. But I imagine it was not solely for the purpose of immediately aligning supply with purchasing power, but likewise for the purpose however of slowly and arduously striving for a change in the structure of our industry with the money so acquired. Meanwhile until recently there had been loud and considerable discussion regarding restructuring, but now the issue seems to have abated. What had been done in this area during the past several years? What benefit accrues to the producer when an even higher turnover tax is imposed on his even most sought after product? Does this money strengthen his development fund in a significant manner, permitting prospects for increased production?

I am aware of the fact that today it is difficult to dream of constructing new washing machine, pot or any other factories. However, I am of the impression that even small steps are not being taken, which could be taken. I shall provide still another example.

Until recently one of the acute shortages in the marketplace was the lack of ordinary garment lining. One of its producers turned to the Association of Internal Trade Enterprises: loan us the money for new machinery, and we shall repay the debt in several months with considerably increased production. Negotiations were conducted and today the participants in the joint enterprise (several Provincial Internal Trade Enterprises) have sufficient garment lining in their area.

National trade, although poor and underinvested, accumulated 7 billion zlotys in the development fund account. It is not an impressive sum, and in relation to needs, it is outright deplorable, but the Association of Internal Trade Enterprises [ZPHW] grew enthusiastic and loaned one-half billion on similar principles to the Silesia Smelting Works which would be paid off with increased production of spin-dry washing machines and refrigerators. There were several other similar offers, and the tradesmen agreed on those which are most effective and which guarantee the quickest results. But the bank said, "No!"

The bank's arguments are these, that trade is its debtor already, inasmuch as it utilizes credit for the purchase of goods. Hence it will be able to manage its own development fund only when it does not benefit from revolving credits.

In other words, never stated Marian Staron, ZPHW manager, at the meeting of the fourth Taskforce on Issues of Reform with management from the ministry of trade. There is nowhere on earth where trade is in a position to function without revolving credit. Such a position by the bank in an identical situation likewise leaves enterprise second-rate as well, whose own revolving funds amount to for example, 30 percent, as well as those in circulation financing even one-half of the revolving credit. Both one and the other is incapacitated in handling its own development fund.

All trades in our economy are striving to eventually achieve the results of 1979, and this plan appears to be very ambitious to them. However, in rebuilding only the old structures, will we attain a state of market stability? It is worthwhile to supply oneself with an answer to this question before we begin discussing variants of the approaching 5-year plan.

9951

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POLAND

#### ACADEMICIANS AIR VIEWS ON 5-YEAR PLAN

Warsaw ZYCIE GOSPODARZE in Polish No 29, 21 Jul 85 p 11

[Text] At the Polish Academy of Sciences, a group headed by Prof Maciej Perczynski, chairman of the Economics Studies Committee, prepared a viewpoint on the variants of the NPSG [National Socioeconomic Plan] concept for the 1986-1990 period. In this viewpoint, attention is called to the fact that the presented variants do not contain indications as to which goals are to be abandoned and at what cost in order to achieve benefits more valued by society. Economic tasks dominate decidedly over social tasks while outlined priorities which to a significant degree are presented in a general and slogan-like manner, become lost that in this type of document, stress should be placed not on promises made by the government to society but on the straightforward presentation of the possibilities of obtaining by society of specific results owing to its efforts and work.

A lot of time was devoted to the problems of restructuring the economy. In considering this direction as strategically the most important, the authors of the presentation claim that this problem has been treated insufficiently in the NPSG variants because tasks have not been specified in a total sense; among other things, there is a lack of fixed proportions between the heavy and raw material industry, and the food complex as well as light, material and energy conserving industries which are assisted by modern technology and methods. To assume development on the basis of the present structure, only better implemented, may lead according to the authors to the further depreciation of our economy. Attention is also called to the fact that genuine tasks for study may be defined precisely only when and if economic practice will present to the scientific community, goals which are in keeping with strategy disposed toward restructuring and modernization.

The proposal with regard to investing and the lack of a substantively outlined program of influencing changes in the structure of consumption was also assessed critically. This is all the more important that in the next 5-year period, a significant part of those consumer goods which entered households on a mass scale after 1970 will enter the period of physical depreciation.

Besides general matters, the authors of the views also presented comments and recommendations regarding several specific problems, among other things, housing construction, the level and structure of food consumption and the structure of farming and public health.

The NPSG concept was discussed at the June session of the PAN presidium. This was a critical discussion and generally concordant with the views elaborated under the direction of Prof Maciej Perczynski. It was stressed that the restructuring of the economy should be the dominant direction in all variants of the plan and of the entire, general concept. The scholars who took part in the discussion pointed out the necessity of choosing priorities, e.g., what ought to be retained in its current state, what requires modernization and what must be changed (restructuring). Meanwhile, this last concept is spread out in a vague and inconcrete manner. For example, much is being said about restructuring which, after all, cannot be carried out without computer science and electronics whereas at the same time, traditional directions of study continue to be developed at institutions of higher learning and these are the fields of study to which the most number of students are accepted.

Many speakers called attention to the fact that in the NPSG variants, on the one hand, many fields were overlooked, e.g., chemistry while on the other hand, catchwords such as biotechnology, atomic power and others, are being used even though in many of these fields, we are only at the stage of putting together research programs and in the next 5 years, we cannot count on specific economic benefits here.

9853

CSO: 2600/947



POLAND

SHIP SALES TO USSR DEFENDED

Warsaw POLITYKA in Polish No 29, 20 Jul 85 (EKSPORT-IMPORT Supplement No 14,) p 18

[Article by Henryk Jezierski: "A Difficult But Reliable Partner"]

[Excerpts] Thin order portfolios and the accompanying reduction in employment or the complete redesigning of the type and assortment of production do not in any way constitute the problems of all European shipyards. An example that refutes the argument of an unfavorable situation in the shipbuilding industry is the situation of that industry in Poland and in Finland. The principal client of the shipyards of both countries is the Soviet Union.

It is interesting to note that if at one time the argument of the unprofitability of exporting Polish ships to the East had been quibbled over, today opinions may be heard reflecting completely different positions. Their authors contend that if it were not for the orders placed by the USSR, our shipyards would be forced into bankruptcy. In other words, either we did them a favor selling ships or they are doing us a favor buying them. We forget about the measurable and mutual benefits.

When in 1949, the Soviet Union placed its orders for ship production with Poland, our shipyards were far from today's world renown. Therefore, it is difficult to overestimate [przecenic] the potential risk of a contractor. In time, it turned out that this was a sound step which decided not only about the quantitative growth of our shipbuilding potential but also about its qualitative and assortment possibilities. Owing to this, the shipyards in Gdansk, Gdynia and Szczecin can today talk about many problems but not about the lack of clients, whereas the Russians have the awareness that the Polish shipbuilding industry is capable of satisfying the most particular requests concerning ship size, its technical parameters or equipment.

For nearly 100 units sold to the Soviet Union between 1981 and 1985, we shall receive a total of almost one billion rubles which places the shipbuilding industry in the rank of the most important supplier of funds for the procurement of Soviet raw materials including petroleum.

Jerzy Hinz, director of the Centromor Shipping Office also assesses the advantages of exports to the USSR in the following manner: "The duration and large scale of our cooperation guarantee Polish shipbuilders production stability and the possibility to plan its dimensions. What is of extreme importance is that this is not 'monocultural' cooperation which could ultimately lead to excessive specialization and the limiting of our competitiveness on world markets. The orders placed by our Soviet partners pertain to the building of several dozen different types of ships. This creates the possibility of the full use of the production and design planning base of the Polish shipbuilding industry."

The contracts which have been negotiated recently seem to demonstrate that the export of our ships to the USSR is entering a new phase: the lowering of the aggregate tonnage of ships in favor of greater technical excellence. For example, by the end of 1991 the Lenin Shipyards in Gdansk will deliver to Soviet ship lines, among other things a B670-type canning mother-ship with a 10,500 DWT load carrying capacity, a 468-member crew and an output of 440,000 cans per 24-hour day (in this respect, an analogy is difficult to even the largest land processing plants); a Ro-Ro type B481 ship with a load carrying capacity of 11,400 DWT and a speed of 20.5 knots as well as training sailing ships similar in construction to our "Dar Mlodziezy".

Both in Centromorze and in the Lenin Shipyards in Gdansk, I heard the following unanimous opinions with regard to our Soviet partner: this partner is difficult to negotiate with ... demands high quality and up-to-datedness of the units delivered but is also able to meet us half-way with our problems. When in a discussion with Czeslaw Tolwinski, assistant director for economic matters at SGil [expansion unknown], I brought up the at one time (and currently as well) controversial subject of the import intensiveness of our ship production for the USSR, I found out that for several years now this has no longer been the case. The amounts paid by the Soviet contractor for the purchase of materials and equipment from PAYMENT ZONE II admittedly constitute the subject of hard negotiations when entering into contracts but the final amount "satisfies both sides," in the words of director Tolwinski. However, in Centromor, they add that contrary to popular opinion, the main devourers of negotiated foreign exchange are by no means the shipyards but their small as well as large coproducers (vide: "Cegielski").

As far as future prospects are concerned, will our shipbuilding industry continue to be threatened with a decrease in orders placed by the Soviet Union? It looks as if though things will be quite to the contrary. The initial offer of Centromor submitted to the Soviet partner for 1986 to 1989, surpasses all accomplishments thus far. There will be 289 ship units in the amount of approximately 2.5 billion rubles and ship outfitting valued at 400 million rubles. Until the end of 1984, 124 ships in the amount of 1.1 billion rubles had been contracted for. Discussions are continuing on the subject of another 50 ships for 0.4 billion rubles. The "Lenin", "Komuna" and "Warski" shipyards have full order placement portfolios until the year 1988 whereas smaller shipyards--until 1986.

There is also no concern with respect to the ship production assortment for the Soviet Union. Ro-Ro type ships, passenger ships, universal cold-storage ships, timber carriers with the capacity of transporting containers in Arctic conditions, a new fleet of fishing mother-ships [bazy rybackie], trawlers for fishing and processing of krill, dozens of various kinds of ship units for the "Shelf" program (studies and mining of submarine gas and petroleum deposits), training sailing vessels and ships of the so-called assistance fleet--the above assembly of ships is emphatic proof that narrow specialization is one of the last things that could be of concern to shipyard managers. What's more, the aforementioned emphasize at every opportunity--also within the context of ship exports to the USSR--that the problem of "what to produce?" has been placed on the back burner a long time ago in relation to the problem of "who will work to produce?" However, this subject would require separate treatment.

9853

CSO: 2600/947

POLAND

BRIEFS

**POLISH-FRENCH DEBT TALKS**--On 16 July [1985] Stanislaw Nieckarz, Poland's Minister of Finance, met in Paris with Pierre Beregovoy, France's Minister of Economy, Finances and Budget. Matters relating to the multilateral agreement signed with the Paris Club the day before were discussed. The agreement deals with the rescheduling of Poland's debt (loans guaranteed for 1982-1984) and bilateral credit and trade relations. Both sides expressed a desire to normalize financial relations and their interest in greater mutual trade turnovers. Janusz Stefanowicz, Poland's ambassador in Paris, attended the meeting. On Tuesday, Minister Nieckarz held a press conference in the Polish Embassy with French journalists and foreign correspondents. The minister shed some light on the Polish government's position on the agreement's significance for the creditor countries and Poland and on the prospect of better economic relations between Poland and the West. [Text] [Warsaw TRYBUNA LUDU in Polish 17 Jul 85 p 2] 9295

**POLISH-SOVIET SCI-TECH COOPERATION**--Yesterday [16 July 1985] the chairman of the Committee for Science and Technical Progress of the Council of Ministers, Deputy Premier Zbigniew Szalajda, received the deputy chairman of the USSR State Committee for Science and Engineering, Mikhail Druglov. Matters discussed included efficient implementation of the long-range Polish-Soviet comprehensive program of scientific-technical progress which will be signed in the immediate future and the course of scientific-technical cooperation between both countries, which has grown lately. The Minister-Director of the Office for Scientific-Technical Progress, Konrad Tott, and the secretary of the Committee for Science and Technical Progress of the Council of Ministers, Wieslaw Liczuk, took part in the talks. [Text] [Warsaw TRYBUNA LUDU in Polish 17 Jul 85 p 2] 9295

**TRAWLERS FOR HOLLAND**--While specializing mainly in extending ship hulls, the NAUTA repair shipyard in Gdynia also builds to special order. Until recently it produced 36-meter fishing-trawler hulls for a Dutch shipowner. The customer had them outfitted in foreign shipyards. Now NAUTA has begun to fulfill a new and more profitable contract. It involves the construction of complete stern trawlers, already outfitted with fish-processing equipment and an ice generator, designed by NAUTA engineers. The first of these contracted trawlers is already on the slipway and soon will be launched. (PAP) [Text] [Warsaw ZYCIE WARSZAWY in Polish 17 Jul 85 p 3] 9295



DOMESTIC CARGO SHIPS—An important contract signed by the Polish Steamship Co. in Szczecin for the construction of seven modern bulk-cargo ships of the M/S Major Hubal type is being successfully completed at the Adolf Warski Shipyard in Szczecin. The first of them is already afloat with the funnel mark of the Szczecin shipowner and the next one, the M/S Maciej Rataj will be added to his fleet this month. The construction of the other ships in this series is also well underway. These are modern bulk-cargo ships with a deadweight of 33,000 tons. (PAP) [Text] [Warsaw ZYCIE WARSZAWY in Polish 17 Jul 85 p 1] 9295

CSO: 2600/976

YUGOSLAVIA

ECONOMIST DECRIES SOCIAL OWNERSHIP, OTHER TENETS OF SYSTEM

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 29 Jul 85 pp 18-20

[Interview with Strasimir Popovic, author of "Ogled o privrednom sistemu Jugoslavije" [Essay on Yugoslavia's Economic System], by Mijat Lakicevic: "Social Ownership: Even the Foundations Being Tested"]

[Text] The immediate occasion for this interview with Strasimir Popovic was his book "Ogled o privrednom sistemu Jugoslavije" published early this year in Belgrade. There was recently a discussion of it in the Center for Marxism of the Serbian LC Central Committee, but, and this has not been the usual thing until now, behind closed doors. Perhaps one reason is that one of the essential features of this book is that it enters boldly and critically, but also with thorough argumentation, into a discussion of social ownership, one of the basic principles of our social system, above all from the standpoint and in the context of the level of economic and social development which has been reached. No more topical link was needed either for the book or for the interview.

EKONOMSKA POLITIKA: You worked for many years in government agencies, but in this book you take a view very different from the official viewpoint. This could be a topic for various malicious interpretations and comments. Would you comment on this fact yourself?

Strasimir Popovic: I have worked for the last 15 years in the Institute for Industrial Economics, but before that I was in the republic and federal planning bureaus. Expanded reproduction is the field with which I have been most concerned. That is a question that has never been settled. How to allocate the aggregate of resources among activities--some approximate division into economic sectors can in fact be made, but it simply is not possible from one center to make the allocation within them. It is no wonder at all that we have so many unsuccessful investment projects. Changes in the system of social reproduction have been very frequent, but it has never been able to function on its own. That is how the question imposed itself upon me of whether this was a case of our ignorance or something else. For a long time I kept this to myself and I reflected for a long time about this. At the outset I simply could not believe that that form of social ownership could perhaps be one of the reasons why we do not have a logical system.

I did not change my opinion only at the end of my career, nor did I wait to retire so that I could say what I think. For some 15 years I have been testing out certain ideas, since I could not go public with anything that had not been verified. I asked a number of economists what they thought about this, did they think the problems lay in ownership, but, and this is something that confused me quite a bit, no one had even reflected about it. As though everyone assumed that the thing had been completely settled and there was nothing to discuss.

**EKONOMSKA POLITIKA:** One of the basic ideas of your book is that this concept of social ownership is one of the principal causes of our economic inefficiency and therefore of the economic and general social crisis as well.

**Popovic:** It might be put that way. But the key thing for me is that people, people engaged in economic activity, be autonomous. That is, a market economy, even if it be of the socialist type, as we refer to our economy, demands a much firmer economic tie between the producer and the means of production, many more rights in disposing of them than is now offered by the present form of ownership. If they themselves are to insist on augmenting the productive potential and making the best use of it, they must have the right to much greater gain from what they have saved, turned into productive capital and used than the right to work with those resources themselves. We are at a level of development when decentralized economic decisions are necessary. Those decisions may be optimal if the market exists and if economic entities are autonomous. But we cannot have those things if we restrict them in use of the factors of production.

**EKONOMSKA POLITIKA:** What do the restrictions consist of?

**Popovic:** If a man has free disposition of his labor power, he can work on his own or together with someone else, and he may also work for someone, hire himself out. Or he can work in the socialized sector. That is a matter of choice. If we allow a man to freely dispose of his labor power, then he need not fit into those standards prescribed by the Law on Associated Labor. Let him choose the production relations which best suit him. If he builds up some capital, let him dispose of those resources freely, let him be able to use them for economic purposes in some way. As far as I am concerned, that is free disposition of the factors of production. We have not allowed that, and that is why we do not have autonomous economic entities.

We have in fact hindered work organizations through the form of ownership. After all, it is obvious that under those conditions the enterprise has no desire to build up capital. It wants to invest, but if it obtains credit. When it has a choice of using its own resources either to build up a capital surplus or for personal incomes, it will usually opt for the latter, although there are economists who have said that the workers are vitally interested in expanded reproduction. But their behavior is quite logical, since if they save the resources, then the resources no longer belong to them. It becomes social property which is no longer at their disposition. There are also other restrictions. If the workers have no need to invest in their own enterprise, since the market is saturated, they do not have any interest whatsoever in investing in any other activity either.

EKONOMSKA POLITIKA: In the end do we know exactly what social ownership is?

Popovic: We have not defined social ownership. However, we do have a notion about social ownership such as it actually does not exist. When people talk about social ownership, they usually say that it abolishes exploitation, that it makes it possible for everyone to work, that it is a way of joining work to the management of resources, that it does away with alienation, and so on. But we do not have that kind of ownership. Moreover, it is not even possible to have any direct social ownership, at least at the present level. Social ownership is manifested as government ownership and group ownership. Insofar as the collective is independent, then it is group ownership. We react to what we refer to as group-ownership tendencies, but actually they are necessary. If a work organization has been placed in the position of a commodity producer, then it is normal for it to want to use its resources in the manner which best suits it. Or take government-ownership tendencies. The government has very important functions in the economy, and if it wants to perform them successfully, it has to behave like an owner. But that government must be democratic and responsible.

EKONOMSKA POLITIKA: You have mentioned commodity production. In all of our documents, starting with the constitution and the LCY Program, commodity production is inaugurated as suitable and indispensable to this society. Nevertheless, there has been constant insistence, recently especially, on the need for it to be "introduced," for room to be given to objective economic laws, and so on. You say in the book that not even in our theory, much less policy or ideology, do we know quite precisely what a commodity economy signifies.

Popovic: What our documents say is that our production is commodity production, but no one draws the consequences from that. If we want commodity production, we have to allow the producers to dispose freely of the factors of production, we have to have autonomous economic entities. One thing that this means is that they can choose the form of organization and ownership which best suits them, more precisely, which best suits the given level of development of the productive forces. In some cases that will be governmental organization, in other cases joint organization, and in others private. I said in the book that government ownership best suits the infrastructural sectors--fuel and power, transportation, metallurgy and similar activities. But in other sectors government ownership yields much poorer results, and there freedom should be given to economic entities to regulate their own relations, to choose their own forms of linkage and association. It is important that opportunities be provided for various forms of organization, and then for a contest and competition among them, and then economic and social life in general will demonstrate which form of ownership best suits each sector.

That kind of arrangement of the economic sphere would result in certain changes in the political sphere, above all in the sense of creating room for people to enter freely into association and an opening up of opportunities for economic entities to create the organization which suits them, rather than for politics to impose on them the organization of the economy which in fact represents a kind of distortion of Marxism.



It is not just a question of some freedom and of human decency, but a society cannot be managed optimally unless there is an opportunity for people to organize in the manner which best suits them, and that can be done only in a democratic society. There is no science which can say: this way is best. All it can do is to point to the features of certain solutions, but there exist the interests of individuals and groups, there exist social forces through whose struggle a decision is arrived at. Democracy should make it possible for those decisions to be the most optimal from the standpoint of society.

EKONOMSKA POLITIKA: You addressed quite a few charges to nationalization in your book.

Popovic: Many people have the idea that I am in general against nationalization and social ownership. What I really think, however, is that it has extended over too large a portion of the economy. It is good for those sectors which I mentioned, but it is not good where the market and the initiative of economic entities are necessary. We are actually hampering the private sector wherever it is efficient in order to protect the socialized sector. And the large part of what has been nationalized has gone to ruin. In the book I quoted Trotsky, who said that nationalization was not carried out on economic grounds, but on political grounds, in order to break down the resistance. It has turned out that nationalization provides a strong foundation for political structures and has not established itself everywhere in economic terms.

EKONOMSKA POLITIKA: Let us discuss a bit your concept of joint ownership.

Popovic: Just consider, please, we have taken that socialized sector to the point where it is simply disappearing, we are not even aware of the danger that threatens it. After all, as you see, personal incomes are very low, that is something which is intolerable, something which cannot be imagined in Europe in the 20th century. Within enterprises there is no longer any motivation to work. That is perhaps the most frightening thing that we have created with this kind of organization of society. An attack on social ownership is now spoken about quite often. There is no law which could prevent that, since the stealing is being done by those who are working with those resources. It turns out that someone else has to protect from the workers the property which is theirs. This actually means that they are not treating the property as though it were theirs, that in fact it is not their property.

As for joint ownership, I did not enter into any very specific description of how that would look. For example, there might be some kind of joint stock company, but even there there could be different versions. A person might have stock in the enterprise where he works, or legislation might say that one could possess only the stock of the firm where he is employed. It is important that a man have the right to own resources and that he be able to enter into association with anyone and however he chooses for the purpose of production. That there be no restriction whatsoever in this respect, except, of course, for criminal actions. And also a man must be able to enter into employment relations wherever he wishes in either the socialized or the private sector. Once again, of course, within the limits envisaged by the law.

EKONOMSKA POLITIKA: How do you imagine distribution of personal incomes in such an enterprise?

Popovic: Some of the pay would be received on the basis of the price of manpower on the market. I state in the book that distribution of income on the basis of a direct measurement of the results of work is not possible. That is why in spite of all the efforts and changes and the numerous criteria which we have invented we have not so far been able to create an efficient and functional system for the distribution of income, but rather we have created utter chaos in this area. In the context of commodity production there is no scale on which one can directly measure someone's output. A measure can be established only through the market and the price of manpower.

The other portion of personal income would be received as a function of the performance of the work organization, and that in turn on the basis of each worker's contribution. That would then be the right to remuneration on the basis of past labor.

EKONOMSKA POLITIKA: Where does this leave self-management?

Popovic: Then you would really get true and complete self-management. Those who had invested their property would elect a council, and it in turn would choose the management team. That team is supposed to achieve the largest possible profit. The price of the director's work would also depend in such a case on his performance: if there is a growth in the stock, their price would also rise, and the other way about. We have underestimated the importance of people who manage property.

EKONOMSKA POLITIKA: Rights arising out of the employment relation, job security, would be much less in that case.

Popovic: The question is what that security amounts to. If someone performs well in his work, he is secure. Otherwise there are no grounds nor social justification for him to be secure. The complete absence of competition among workers is today one of our most serious problems.

EKONOMSKA POLITIKA: How could those joint stock companies be created in our country?

Popovic: It could be done gradually. For instance, on the basis of their use of the resources of society work organizations would pay the government or society some compensation, a charge on capital, but beyond that they would have no obligations whatsoever. If they generate a capital surplus and if in production, that would be the property of those workers.

In that case the government would not even have to know what the financial condition of work organizations is. They would have certain obligations toward it (taxes, interest if they are using government resources, and so on), and they would be of no further concern to it. In a market economy every act bears a certain risk, and in our context that risk has to be borne by the workers themselves. If those resources belong to them, then on their own they

would set aside some risk fund to cover losses, they themselves would see to that on their own. Why should the government be concerned about how much they set aside into the risk fund. If they do not have it, then too bad. The next day they will sell off what they have. That is a loss for the society as a whole, but it is the greatest loss for the workers themselves.

EKONOMSKA POLITIKA: How about private ownership, or, as you sometimes put it, individual ownership?

Popovic: I did not enter into any details in that respect. I think it is enough to say that no sort of restrictions should be imposed here either in the size of the enterprise or in the number of employees, the maximum land-holding, and so on. If people decide to work in a private enterprise of that kind, why not let them? The question is who we are protecting here? You see, in our country the people who work for a wage are no worse off financially than those who are employed in the socialized sector. On the contrary. We do not give the private sector even what it is entitled to under the constitution. Why don't we leave it to those people returning from abroad to find their own solution that best suits them?

Certainly, there will also be losses here, but that is the risk of the owner of the resources, and I do not know what we are afraid of, who we are defending and from what. We have distribution of income without labor in the form of interest, but also through privileges of various kinds. Why not use the experience of the more advanced world, without any sort of prejudices and ideological preconceptions.

The most important function of ownership is to make the best possible use of resources and in that way to augment those resources. Its function is not exploitation (incidentally, social ownership is not an absolute obstacle to exploitation either), but for those resources to be utilized in the most optimum way. The form of ownership which contributes most to that should be utilized and supported. It has turned out that in certain sectors social ownership exercised by a democratic government is the most efficient, while in another sector autonomous economic entities should be left to regulate those relations on their own.

EKONOMSKA POLITIKA: Your ideas require significant changes.

Popovic: Fine, so they do require a major political decision whose implementation would be ensured through the appropriate institutions--such and such a structure of the assembly, such and such a constitution, and so on. Without such a major political decision, we will go on living in just the same way as we do now. I do not say that certain improvements are not possible through some other measures as well, through a better economic policy, better organization, and so on. But those are not lasting solutions intrinsic to the system. For myself, I am already getting a bit annoyed with everyone saying that we need big changes, but no one says what those changes are. What the Long-Range Stabilization Program proposes and envisages does not amount to any large changes. Even if we did everything written there, we would not really have done very much. It says there that we should introduce market criteria.

But it does not state explicitly what it means by that. Introducing market criteria signifies changing the forms of ownership, it means having autonomous economic entities, it means not having a monopoly in politics. But I think that they did not even give a thought in that direction.

EKONOMSKA POLITIKA: What is the relationship between those postulates of yours and (the idea of) socialism?

Popovic: I think that this is precisely the road to socialism and I am becoming more and more convinced that socialism is not any sort of closed system, but that it consists of certain goals which we are approaching in different ways. What the 19th century socialists considered to be socialism, those demands of theirs have already been met in the advanced capitalist countries, perhaps even more than they demanded. That so-called real socialism is very remote from the goals which socialism set itself; certain countries we consider to be capitalistic are far closer to those goals. It is a very dangerous thing to arrange society according to certain ready-made patterns, certain ideologies. It has its own logic and one needs only to see what is happening in that society, the new things that are being created, see to what extent it is progressive, and then support it. It is the greatest illusion for someone to think that he can create a society according to his own model. We are living in the illusions of the 19th century socialists, and at this late date we are concerning ourselves with the issues they were concerned with. But we are on the threshold of the 21st century, at a time when the level of development is incomparably higher. The question now is that of technological progress, it solves the social problems, but we are still living in the illusion that a redistribution of wealth would solve the problem of progress. After the experience we have gained, we really have to think differently.

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